A SYMBOL OF STRENGTH

PEOPLE'S INSURANCE PLC

ANNUAL REPORT 2017

Casting a shield truly is a laborious yet rewarding process. First, ore is mined from the earth, heated at intense temperatures and then cast into a mould. The resulting metal is then beaten, shaped, carved and fashioned into the symbol of protection. We too toil willingly in the effort to create comprehensive protection for our customers and the process is what is highlighted in this year's Annual Report.

A SYMBOL OF STRENGTH

In sourcing pure raw materials like ore, we believe in creating insurance policies that are moulded to fit our customers. We don't just offer a piece of metal but a shield, a symbol of strength, that is crafted for your particular set of requirements that range from home to business to vehicular protection. And like a craftsman whose impeccable eye and experience forges with care, a shield that is functional yet comforting in its integral duty of protection, we will continue to gain the trust and recognition of our customers again and again with a business that is moulded to suit your needs. We call it, People's Insurance – caring with love.

PEOPLE'S INSURANCE
CARING WITH LOVE

CONTENT

COMPANY OVERVIEW

Solid Foundation

KEY MANAGEMENT MESSAGES

A Sorted Strategy

PERFORMANCE AGAINST STRATEGY

Driving the Business

FINANCIAL INFORMATION

Tapping the Results

VALUE CREATION FRAMEWORK

Fitting the Mould

CONFORMANCE

Safeguarding Our Business

SUPPLEMENTARY INFORMATION

A Shield of Security

You can read this Annual Report online:
www.peoplesinsurance.lk

COMPANY OVERVIEW

Solid Foundation

ABOUT THE REPORT

Welcome to our Fourth Integrated Annual Report

REPORT PROFILE

This is the fourth Integrated Annual Report prepared by People's Insurance PLC (PI), which provides a comprehensive view of the Company's financial, social and governance performance in conformance with all applicable national legislature for companies listed on the Colombo Stock Exchange as well as the regulatory requirements of the Insurance Regulatory Commission of Sri Lanka (formerly known as Insurance Board of Sri Lanka). As was the case in the previous year, 2016, we sought to blend in our integrated approach with the standards recommended by the Global Reporting Initiative (GRI) standards under 'In accordance' - Core. Further, emphasising the commitment to transparent and relevant stakeholder reporting, PI's reporting practices also continue to evolve in line with global trends and best practices.

Accordingly, information contained herein is based on the following regulatory guidelines and reporting frameworks;

- International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework
- Sustainability Reporting Standards prepared by the Global Reporting Initiative (GRI) (Previously adopted GRI-G4 Guidelines)
- Companies Act No. 07 of 2007
- Listing Rules of the Colombo Stock Exchange
- Sri Lanka Accounting Standards (i.e. SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka and the Statement of Recommended Practices (SORP)
- Regulation of Insurance Industry Act No. 43 of 2000 as amended and Regulations and Directions issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL)
- Code of Best Practice on Corporate Governance, jointly issued by the Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka

GRI 102 - 41, 46, 48, 50, 52, 53, 56

ABOUT THE REPORT

SCOPE AND BOUNDARY

The Report has been prepared to coincide with the PI's financial reporting period from 1st January 2017 to 31st December 2017 and covers all activities of the Company during this time frame. The report focuses on the overall operations and future outlook covering the corporate office, regional offices in Galle, Negombo and Anuradhapura, window offices located in 99 of our parent, People's Leasing & Finance PLC's branches and representation at People's Bank regional offices, in Sri Lanka.

The information provided covers all material matters relating to business strategy, risks and areas of importance to stakeholders.

There were no restatements applicable for the information provided in the previous reports.

FORWARD-LOOKING STATEMENTS

In this report, certain statements are made that are not historical facts and relate to analysis and other information based on forecasts of future results not yet determinable relating among others, to gross premium growth levels, underwriting margins and investment returns.

Forward-looking statements of this nature involve inherent risks and uncertainties and, if one or more of these risks materialise, or should the underlying assumptions prove incorrect, actual results may differ from those that were anticipated. As such, forward-looking statements mentioned in the Report are deemed applicable only as of the date on which they are made, and PI does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

ASSURANCE

This integrated report is a result of combined material input from all the different business units reporting on their activities and achievements for the year. To ensure that the PI's key financial and non-financial risks are properly identified, managed and monitored, the Company adopts a combined assurance approach.

Independent Auditors, Messrs. Ernst and Young have provided assurance on financial statements and related notes and sustainability reporting according to the GRI standards included in this Report. Their assurance on financial statements and related notes is set out on page 155 and assurance on sustainability reporting is set out on pages 270 to 271 of this Report.

BOARD RESPONSIBILITY STATEMENT

The Board of Directors acknowledges its responsibility to ensure the integrity of this Integrated Annual Report and evaluated its preparation and presentation. In the opinion of the Board, the Integrated Annual Report was prepared according to the IIRC's <IR> Framework and addresses the material matters pertaining to the long-term sustainability of PI and accurately presents the integrated performance of the Company and the impacts thereof.

Signed for and on behalf of the Board,

Jehan P. Amaratunga
Chairman

15th February 2018
Colombo

INQUIRIES

Queries and clarifications on this Integrated Annual Report 2017 are to be directed to:

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

A feedback report is attached with this report on page 303.

ABOUT PEOPLE'S INSURANCE PLC

WE ARE

- a public limited company (PLC) listed on the Main Board of the Colombo Stock Exchange
- a non-life insurer registered under the Regulation of Insurance Industry Act
- backed by two financial giants in the country – People's Leasing & Finance PLC and People's Bank

WE OPERATE

- through window offices at People's Leasing & Finance PLC branch network and regional offices at People's Bank, apart from operations at our corporate office and three regional offices

WE STAND

- as one of the most profitable non-life insurers in Sri Lanka with constant underwriting profits since 2012
- as a leading non-life insurance company with more than Rs. 4.5 billion annual premium income
- as a financially strong insurer with an asset base of over Rs. 7.5 billion with over Rs. 6 billion investment portfolio

WE DIFFERENTIATE BY

- being a member one of the strongest financial groups in the country
- widespread presence across the island
- low cost operating model
- sound corporate relationship with reinsurers, regulators, insurance intermediaries such as insurance agents and brokers, vehicle agents and dealers, garages, banks and financial institutions

WE ARE A MEMBER OF

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

GRI 102 - 2, 16

ABOUT PEOPLE'S INSURANCE PLC

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

VALUES

Service excellence
Professionalism
Result orientation
Loyalty

Who We Are

We have completed our eighth year of operations and emerged as one of the leading players in the non-life sector in the country's insurance landscape with over Rs. 4.5 billion annual premium income and assets over Rs. 7.5 billion. Our shares are listed on the Main Board of the Colombo Stock Exchange and we are backed by two of the country's largest financial institutions – People's Leasing & Finance PLC and People's Bank and strong international reinsurers.

PEOPLE'S BANK — Ultimate Parent
75%
PEOPLE'S LEASING & FINANCE PLC — Immediate Parent
75%
PEOPLE'S INSURANCE PLC — Company

GRI 102 - 2, 6 GRI 417 - 1

MAIN PRODUCTS

LIFESTYLE PRODUCTS

You have worked hard all this time to enhance the quality of your life and to build a portfolio of possessions and comforts for you and your loved ones; may it be your home, motor vehicle or valuables. All these possessions and conveniences are an important part of your life and you will always want to protect them for you and your family.

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

Dwelling Fire Insurance

Home Insurance

Personal Accident Insurance

Motor Vehicle Insurance

Travel Insurance

Healthcare Insurance

BUSINESS PRODUCTS

The world of business is full of uncertainties and evolving at a rapid pace. Surviving in such an environment needs foresight, preparation and resilience. That's why we have developed a range of non-life insurance business products and services that can address the specific needs of the Sri Lankan business community.

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

Commercial Fire Insurance

Business Interruption (Consequential Loss) Insurance

Plate Glass Insurance

Burglary Insurance

Fidelity Guarantee Insurance

Machinery/ Electronic Equipment Insurance

Contractor's All Risks Insurance

Workmen's Compensation Insurance

Motor Vehicle Insurance

Marine (Cargo) Insurance

Goods in Transit Insurance

Public Liability Insurance

BOARD OF DIRECTORS

06
Mr. W. M. Abeyrathna Bandara
Non-executive, Independent Director

01
Mr. Jehan P. Amaratunga
Non-executive, Non-independent Chairman

07
Mr. A. S. Ibrahim
Non-executive, Non-independent Director

08
Mr. Rohan Pathirage
Company Secretary

05
Mr. N. P. Karunarathne
Non-executive, Independent Director

03
Mr. Lakshman Abeysekera
Non-executive, Independent Director

02
Mr. N. Vasantha Kumar
Non-executive, Non-independent Director

04
Mr. S. P. K. Gunarathne
Non-executive, Independent Director

01 MR. JEHAN P. AMARATUNGA

Non-executive, Non-independent Chairman

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

He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (ICASL) and a Fellow Member of the Institute of Chartered Management Accountants, UK (FCMA). He was awarded First in Order of Merit Prize at the final level examination of the ICASL. Mr. Amaratunga has over 33 years of extensive experience in finance and management and has been a Consultant and Director to a large number of corporations and private entities. Amongst his many achievements, he has presented a paper titled 'Value for Money Accounting' at the National Conference of the ICASL in 1987. He was also a Member of the Governing Council of the Institute of Chartered Accountants of Sri Lanka in the Year 1988 and the Governing Council of the University of Colombo from April 2015 to November 2016.

Mr. Amaratunga presently serves as 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, People's Microfinance Limited, Lankan Alliance Finance Limited in Bangladesh, JAT Holdings (Pvt) Ltd and Sri Lanka Institute of Information Technology (SLIIT).

02 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 currently serves as the CEO/GM of People's Bank and is a Director of People's Leasing Property Development Limited, People's Leasing Havelock Properties Limited, People's Leasing Fleet Management Limited, People's Travels (Private) Limited, People's Merchant Finance PLC, Credit Information Bureau, National Payment Council, Lanka Financial Services Bureau, Financial Ombudsman Sri Lanka (Guarantee) Limited, Sri Lanka Banker's Association (Guarantee) Limited and Lankan Alliance Finance Limited in Bangladesh. 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 37 years of experience in treasury management. Mr. Vasantha Kumar is a member of the Governing Board of the Institute of Bankers of Sri Lanka and is a past president of the Association of Primary Dealers and of the Sri Lanka Forex Association and served as Treasurer at ANZ Grindlays Bank, Colombo for many years.

03 MR. LAKSHMAN ABEYSEKERA

Non-executive, Independent Director

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

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

He possesses over 25 years of experience in accounting, finance and management. He currently functions as a Non-executive Director of SANASA Development Bank PLC and Director of JanRich Foods Limited and NovEx Pharmaceuticals Limited. He has held the positions of Chief Financial Officer at Emerchemie NB (Ceylon) Limited, Accountant at Hoechst (Ceylon) Limited and was the Senior Accountant at Lankem Ceylon Limited.

04 MR. S. P. K. GUNARATHNE

Non-executive, Independent Director

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

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

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

BOARD OF DIRECTORS

05 MR. N. P. KARUNARATHNE

Non-executive, Independent Director

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

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

He is a senior administrative officer with over 30 years' experience in administration and management. He has served as adviser/coordinating secretary to the Road Development Authority, as an administrative officer at the Mahaweli Economic Agency and as an executive officer at the Transport Ministry.

06 MR. W. M. ABEYRATHNA BANDARA

Non-executive, Independent Director

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

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

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

07 MR. A. S. IBRAHIM

Non-executive, non-Independent Director

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

Mr. Ibrahim has over 34 years of banking experience primarily in the areas of Corporate Banking, Treasury Management and Risk Management. He holds an Honours Degree (BSc) from the University of Colombo and is a Fellow of the Chartered Institute of Bankers – UK (FCIB).

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

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

08 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 Deputy General Manager/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 a Masters Degree in Bank Management from the Massey University, New Zealand.

CORPORATE MANAGEMENT

Mr. Nilushan Somarathna
Head of Finance

Mr. Deepal Abeysekera
Chief Executive Officer

Mr. Chandrasiri Gannile
Head of Human Resources and Administration

Mr. Nimal Perera
Technical Consultant

Ms. Jeevani Kariyawasam
Head of Operations

CORPORATE MANAGEMENT

MR. DEEPAL ABEYSEKERA
Chief Executive Officer

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

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

MR. NIMAL PERERA
Technical Consultant

Mr. Perera joined People's Insurance in September 2009 as the Chief Operating Officer and he acts as Technical Consultant with effect from 1st July 2017. Previously, he served as General Manager (General Insurance) at Asian Alliance Insurance PLC. He has over 50 years of experience in the insurance industry, both in Sri Lanka and overseas. He was the 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. 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
Head of Operations

Ms. Kariyawasam joined People's Insurance in October 2009 and has been in charge of the insurance operations of the Company since then. She counts over 23 years of experience in the insurance industry, including experience at National Insurance Corporation Limited and HNB Assurance PLC.

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

MR. NILUSHAN SOMARATHNA
Head of Finance

Mr. Somarathna joined People's Insurance in August 2012 and has been heading the finance department since then. Prior to joining the Company, he served as Manager - Finance at Union Assurance PLC. He has over 14 years of finance and audit experience, including previous experience at Union Assurance PLC and PricewaterhouseCoopers.

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

MR. CHANDRASIRI GANNILE
Head of Human Resources and Administration

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

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

MANAGEMENT TEAM

MS. KANTHI KEMPITIYA
Senior Manager - Motor Underwriting

MR. HAREENDRA DISSANAYAKA
Senior Manager - Motor Claims

MS. SHALIKA DE SILVA
Senior Manager - Legal

MR. SHARMAN KULATILAKE
National Sales Manager

MR. CHANNA R. ABEYWICKREMA
Senior Manager - Fire and Miscellaneous Underwriting

MR. DINESH ROSA
Senior Manager - Bancassurance

MR. DULIP DISSANAYAKE
Manager - Finance

MS. SUMUDU BANDARA
Manager – Non-motor Claims

MR. SASHIKA JAYATHILAKA
Manager - Reinsurance

MANAGEMENT TEAM

MR. MALINDA WICKRAMASINGHE
Manager - Broker and Corporate Business Development

MS. SAMBAVI KANAGASABAPATHY
Manager - Internal Audit

MS. GOWRI NAVODA
Manager - Research and Development

MR. ASIRI SAPUTHANTHRIGE
Manager - Sales Force Development

MR. ROHANA HETTIARACHCHI
Zonal Manager – North Central

MR. MANJULA JAYASEKARA
Regional Manager – Southern

SUPPORT SERVICE TEAM

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

Mr. Gunasena joined People's Leasing & Finance PLC in 1999 and has been the head of the ICT department for the past 17 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. DANUSHKA LIYANAGE
Associate Business System Architect

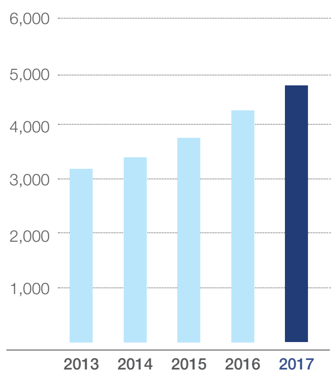
Mr. Liyanage joined People's Leasing & Finance PLC in September 2010. He possesses over 10 years of experience in the insurance industry. Prior to joining the Company, he worked as Assistant Manager - ICT at Ceylinco Insurance PLC.

Mr. Liyanage holds a BSc. Honours Degree in Computing and Information Systems from the Lincoln University, UK.

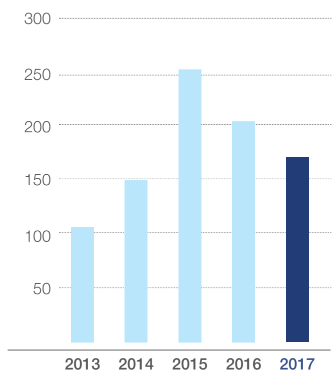
HIGHLIGHTS OF THE YEAR

KEY FINANCIAL HIGHLIGHTS

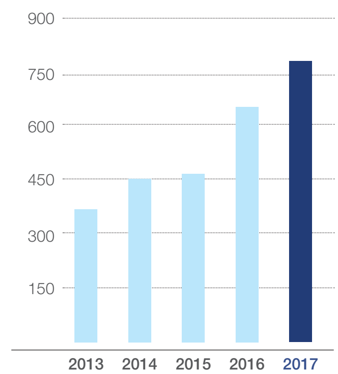
GROSS WRITTEN PREMIUM
Rs. Mn



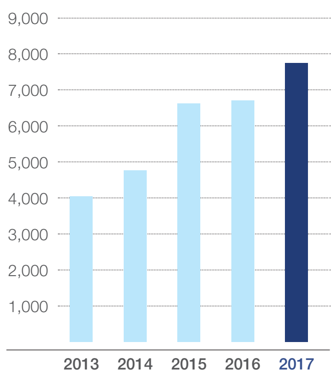
UNDERWRITING PROFIT
Rs. Mn



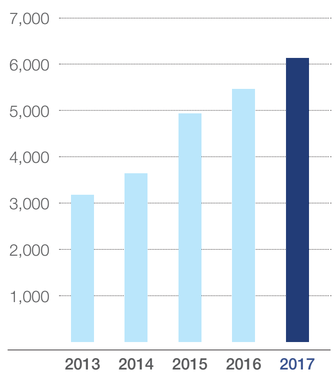
PROFIT AFTER TAX
Rs. Mn



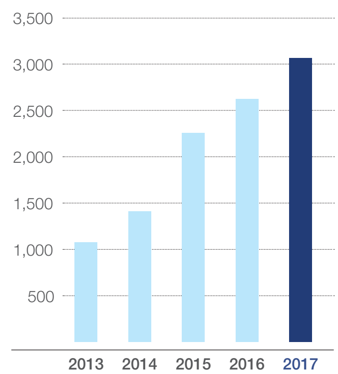
TOTAL ASSETS
Rs. Mn



FINANCIAL INVESTMENTS
Rs. Mn



TOTAL EQUITY
Rs. Mn



ROE
25%

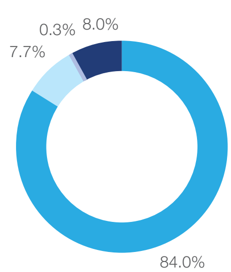
EPS
Rs 3.87

DPS
Rs 2.00

FINANCIAL HIGHLIGHTS

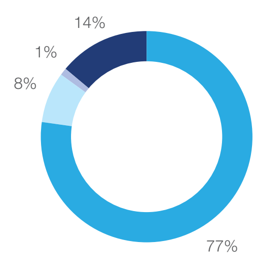
	2017 Rs. Mn	2016 Rs. Mn	%
Revenue	4,791	4,250	13
Gross written premium	4,782	4,340	10
Net earned premium	4,097	3,723	10
Net claims	(2,841)	(2,628)	8
Underwriting and net acquisition costs	(407)	(380)	7
Other operating and administrative expenses	(677)	(508)	33
Underwriting results	172	206	(16)
Other revenue	694	527	32
Profit before tax	867	733	18
Income tax expense	(94)	(75)	25
Profit after tax	773	658	17
Property, plant and equipment and intangible assets	95	45	111
Financial investments	6,137	5,470	12
Equity	3,057	2,629	16
Liabilities	4,688	4,091	15

GROSS WRITTEN PREMIUM



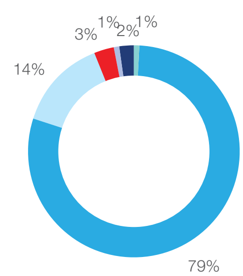
- Motor
- Fire
- Marine
- Miscellaneous

UNDERWRITING PROFIT BEFORE OPERATING AND ADMINISTRATIVE EXPENSES



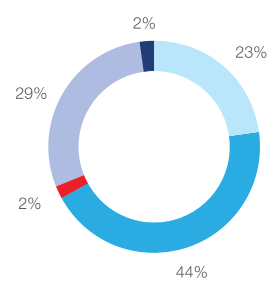
- Motor
- Fire
- Marine
- Miscellaneous

TOTAL ASSETS



- Property, plant and equipment and intangible assets
- Financial investments
- Reinsurance and insurance receivables
- Deferred expenses
- Other assets
- Cash and cash equivalents

FINANCIAL ASSETS

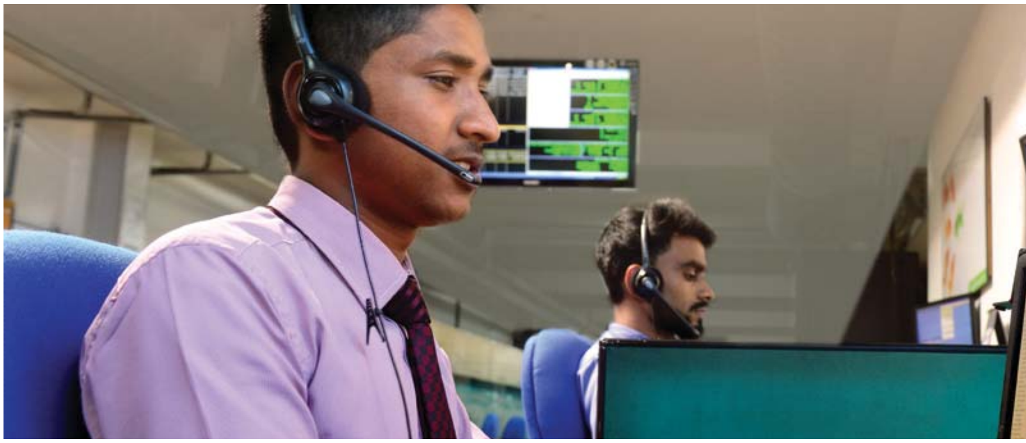


- Government securities
- Fixed deposits
- Listed shares
- Corporate debts
- Other financial assets

NON-FINANCIAL HIGHLIGHTS

MANUFACTURED CAPITAL

Corporate office and regional/ window office network and IT infrastructure



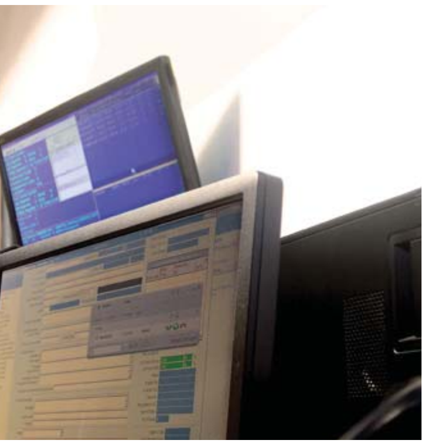
HUMAN CAPITAL

Talented employees of the Company

SOCIAL AND RELATIONSHIP CAPITAL

Relationship with customers, business partners, regulators and community

GRI 102 - 7



INVESTMENT IN INFRASTRUCTURE	REGIONAL OFFICES	WINDOW OFFICES
Rs. 79 Mn 2017	3 2017	99 2017
Rs. 9 Mn - 2016	2 - 2016	91 - 2016

NO. OF STAFF	EMPLOYEE RETENTION RATIO	TRAINING HOURS PER EMPLOYEE
385 2017	85% 2017	19.4 2017
330 - 2016	87% - 2016	25.5 - 2016

NO. OF CUSTOMERS	NO. OF CLAIMS SETTLED	COMMUNITY BASED RECRUITMENTS
139,267 2017	41,895 2017	80 2017
130,513 - 2016	40,524 - 2016	75 - 2016

NON-FINANCIAL HIGHLIGHTS

INTELLECTUAL CAPITAL

Brand reputation, institutional knowledge, IT software and corporate culture

NATURAL CAPITAL

Corporate attitude and action on environment

GWP GENERATED THROUGH GROUP

4,187 Mn 2017

3,692 MN - 2016

PERCENTAGE OF CAPTIVE BUSINESS

88% 2017

90% - 2016

INVESTMENT IN INTANGIBLE ASSETS

1.2 Mn 2017

Nil - 2016

PAPER WASTE RECYCLED

1,892 kg 2017

300 kg - 2016

E-WASTE RECYCLED

30 kg 2017

44 kg - 2016

CARBON FOOTPRINT

478 tCO_2e 2017

373 - 2016

MILESTONES

2010

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

2011

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

2012

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

2013

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

JANUARY

- Granted 200 school bags for underprivileged primary students of the Watura Sri Lanka School attached to Bandaranayake Primary School - Kegalle

FEBRUARY

- Paid the second interim dividend of Rs. 0.75 per share amounting to Rs. 150 million for 2016

MARCH

- 400 trees were planted with our sponsorship under 'One Million Tree Programme', a project carried out by the Sri Lanka Climate Fund

MAY

- Honoured claims amounting to Rs. 43 million in respect of floods took place in the country

JUNE

- Annual Report for 2016 was awarded the 'Best Integrated Report – Small & Medium Enterprises' at the Excellence in Integrated Reporting Awards – 2016 organised by the Institute of Certified Management Accountants of Sri Lanka
- Annual Report for 2016 was also recognised at the 2016 Vision Awards with 'Silver Award' for the Excellence within the Insurance Industry

JULY

- Appointed new Chief Executive Officer
- Paid the final dividend of Rs. 0.25 per share for 2017, amounting to Rs. 50 million

2014

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

2015

Introduced a travel policy and a Takaful window to facilitate a wide spectrum of customers' requirements. Opened the Initial Public Offering (IPO) with oversubscription of almost 6 times on the opening day, making the Company's IPO one of the most successful IPO's in the recent past

2016

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

2017

AUGUST

- Moved the Corporate Office to the newly constructed iconic building located at No. 07, Havelock Road, Colombo 05
- Initiated a 'GPTW (Great Place to Work) Survey' to assess employee satisfaction levels and gauge their perceptions regarding their long term prospects within the Company

SEPTEMBER

- Paid an interim dividend of Rs. 0.75 per share amounting to Rs. 150 million for 2017

OCTOBER

- New corporate logo was unveiled and the first advertising campaign was kicked off together with the first television commercial
- Entered into a bancassurance agreement with National Savings Bank

NOVEMBER

- Investment portfolio surpassed Rs. 6 billion
- Rolled out '5S' programme in partnership with the National Productivity Secretariat

DECEMBER

- Recognised as a recipient of the 'Insurance Companies Compliance Award' at the Chartered Accountant's Annual Report Awards 2017, organised by the Institute of Chartered Accountants of Sri Lanka for the Annual Report for 2016

AWARDS AND RECOGNITION

The Annual Report of the Company for 2016 was Awarded

- **BEST INTEGRATED REPORT – SMALL & MEDIUM ENTERPRISES**
- **CERTIFICATE OF MERIT (OVERALL)**

at the CMA Excellence in Integrated Reporting Awards 2017 organised by the Institute of Certified Management Accountants of Sri Lanka (CMA)

- **SILVER AWARD – INSURANCE INDUSTRY**
- **TOP 80 REPORTS – ASIA-PACIFIC REGION**

at the 2016 Vision Awards annual report competition organised by the League of American Communications Professionals (LACP), USA

- **INSURANCE COMPANIES COMPLIANCE AWARD**

at the Chartered Accountants' Annual Report Awards 2017 organised by the Institute of Chartered Accountants of Sri Lanka

A sorted Strategy

Weilding the Shield of Care

"TO SPEARHEAD OUR BROADER AMBITIONS TO TAP INTO THE WIDER NON-LIFE INSURANCE MARKET, IN 2017, WE TOOK A QUANTUM LEAP TO STRATEGICALLY REBRAND TO A MORE CONTEMPORARY BRAND IMAGE THAT WILL RESONATE WITH THE CUSTOMER OF TOMORROW"

JEHAN P. AMARATUNGA
Chairman

CHAIRMAN'S MESSAGE

Reflecting on the past year, it is encouraging to see that Sri Lanka's financial system is becoming more inclusive, and the stability – previously associated with the banking sector – is now dependent on a wider network of players, including insurance companies. As a direct result of this, the local industry has become increasingly competitive in the past five years, with leading global players also entering the market in recent times. However, in the current industry dynamic, competition has skewed the market predominantly towards motor insurance with motor insurance premiums accounting for more than 60% of the product portfolio of the local non-life (general) insurance industry. Further, given the ever-increasing number of new vehicle registrations coupled with the regulatory obligation compelling vehicle owners to obtain motor insurance, more and more insurers have begun focusing mainly on motor insurance to fuel growth in their non-life segment.

However, in reality, I believe there exists a huge untapped market in other segments of the non-life insurance industry. Regardless of the opportunity, growth in these segments remains constrained by low levels of insurance penetration. Current national statistics indicate that overall penetration levels are still within 1.1% of GDP, well below the global average level of 6.2%. Low insurance penetration means a majority of households and business are left with having to bear the often-crippling financial risk of unexpected losses. Not only is this a drawdown on the financial capacity of affected individuals and businesses, it also adds to the burden of the state and goes on to hinder the country's social and economic development as well. Low insurance penetration is therefore a grave problem that calls for some urgent action on the part of all industry stakeholders. As a first step, this means raising awareness and creating a proper understanding of the main purpose of insurance among the general public.

The negative perception regarding insurance needs to be changed by promoting insurance as a proposition that can make life better and certainly hassle free. The key is to highlight that insurance leaves consumers or businesses in the same financial position that they were in before an unforeseen incident that led to them lodge a claim with their insurer. It is vital that the general public are made to understand that being insured means not having to incur unnecessary debt and that this frees up income that can go towards savings and investments, which in turn contributes to a sustainable economic growth and a healthier society.

In this regard, I am encouraged to see that the consistent efforts by the regulator and the Government to promote an insurance culture among the masses that appears to be turning the tide in favour of a positive insurance culture. This has created considerable momentum, enabling the current market to grow at 15%+ in 2017. I must reiterate however that PI's ambitions are even greater. Our intention is to grow faster than market, and in 2017 we have taken a few important steps to make this happen.

REFLECTING ON THE PAST YEAR, IT IS ENCOURAGING TO SEE THAT SRI LANKA'S FINANCIAL SYSTEM IS BECOMING MORE INCLUSIVE, AND THE STABILITY – PREVIOUSLY ASSOCIATED WITH THE BANKING SECTOR – IS NOW DEPENDENT ON A WIDER NETWORK OF PLAYERS, INCLUDING INSURANCE COMPANIES.

Rs. 773 Mn

PROFIT FOR THE YEAR

reflecting a growth of 17% over the previous year

15%

ASSET GROWTH

over the previous year, contributed by business growth and improved profitability

CHAIRMAN'S MESSAGE

STRATEGY AND FOCUS

To spearhead our broader ambitions to tap into the wider non-life insurance market, in 2017, we took a quantum leap to strategically rebrand to a more contemporary brand image that will resonate with the customer of tomorrow. Leading the rebrand was the launch of a new logo depicting a dynamic and futuristic new look that showcases PI's ambition to be the most trusted non-life insurer in Sri Lanka.

Following the launch of our new identity, we began focusing on gradually expanding the non-motor insurance segment to reduce the dependency on captive motor business from the Group. We do realise that this is going to take time. But to accelerate our journey, we began looking at digitisation, to target the needs of new and emerging customer segments through integrated and multi-channelled delivery systems. Our focus is to build unique lifestyle and business products for households and small/medium enterprises and corporates respectively.

Being among the few insurers to embrace technology at the onset of the tech buzz, our strategy is to pursue a technology-driven growth platform to position PI as the most innovative and cost-effective insurance service provider for these segments.

We believe that innovation is not merely about bundling and unbundling the products, but rather about instilling innovation within our processes, especially with regard to how we serve our clients through convenient channels together with high quality, trustworthy and speedy services.

In this context, we plan to capitalise on our considerable advantage as the insurance arm of the People's Bank Group – Sri Lanka's largest and best-loved financial services group. People's Bank was the pioneer in adopting digital banking, which gives PI a head start in terms of offering online digital solutions. As a result, we don't have to invest in reinventing the wheel, but rather leverage on our ties to the People's Bank Group to provide our customers with easy avenues to access information and purchase insurance online.

At the same time, we will continue to evolve the conventional non-life insurance products we offer through our physical channels, by listening to our customers and responding with customised solutions to meet the new and emerging needs of our customers. We believe our market potential lies in regions outside the western province, especially within cities. As such, we continue to focus on strengthening our island-wide footprint vis-à-vis the branch network 860+ People's Bank and People's Leasing & Finance PLC branches. This low-cost operating model has served us well in the past and ensured we maintain cost leadership over peers who are constantly challenged by ever-increasing cost of distributing conventional insurance products.

PI'S PERFORMANCE

In 2017, PI registered GWP of Rs. 4,782 million, an increase of 10% over the Rs. 4,340 million reported in 2016.

Underwriting profits for the year touched Rs.172 million, albeit slightly lower than the Rs. 206 million reported in 2016. Nonetheless, this is seen as a considerable achievement, making PI one of the very few insurers in the country to consistently record underwriting profits since 2012. Given this track record, PI today stands tall as one of the most profitable non-life insurers in the country.

Meanwhile with our costs well below the market, PI has been consistently improving its bottom-line performance year-on-year. In 2017, profit after tax grew by 17% to reach Rs. 773 million, from Rs. 658 million in 2016.

PI's assets at 31st December 2017 exceeded Rs. 7.5 billion, of which Rs. 6 billion was attributed to the investment portfolio, an indication of the strength of our financial position.

RISK AND GOVERNANCE

Being in the insurance business, one of our key activities is the managing money. This requires us to ensure our corporate governance and risk management frameworks are impeccable. As such, we invest considerable resources to upgrade and update both these aspects.

In 2017, we made a number of important changes to strengthen our corporate governance mechanism, key among them being the appointment of three Independent Directors to the Board. At the same time, all Board Sub-committees (Audit Committee, Remuneration and Nomination Committee and the Related Party Transactions Review Committee) were all reconstituted to ensure greater transparency and objectivity. We also took steps to reconstitute the Investment Committee and update the Investment Committee Charter to comply with the regulators' requirements on this area.

From a risk management perspective, we continued to maintain CAR (Capital Adequacy Ratio) at close to 300% level, well in excess of the statutory minimum of 120%.

SUSTAINABILITY

Stemming from our rebranding exercise, we looked to increase our focus on our people and processes and to build a more sustainable business blueprint for the long-term. Taking the first steps in this regard, we moved away from the using shared HR services of the Group and invested in setting up a dedicated HR unit within the Company. This is part of a more strategic approach to develop PI's human capital and support our growth plans.

In addition, groundwork also began on a broad-ranging study to understand and to address other key sustainability drivers that may become relevant in our future growth journey.

OUTLOOK AND PROSPECTS

With the local insurance market set to grow 8% - 10% in the years ahead, global insurance companies are likely to increase their footprint in Sri Lanka's non-life insurance market, further intensifying the level of competition.

In this context, we are clear about our future and will invest in developing diverse innovative channels and product offerings, specifically focusing on a diverse mix of non-life insurance policies including home and fire policies, which otherwise has been slow to connect with the market. PI will continue to operationalise business strategies through our tried and tested business model, as I believe customers would be much more confident and comfortable to obtain insurance from a popular household brand like People's Insurance.

Our prospects for the future remain strong, given the ready base of more than 16 million People's Bank customers and another over a million with People's Leasing & Finance PLC. We will move forward using the shared heritage of the 'People's' legacy, not only to form lasting relationships with these customers, but also to build trust and satisfy the diverse insurance needs of all Sri Lankans. Meanwhile, to expand our market share amidst the challenge of global players coming into the market, we will remain proactive in scaling up our operations on par with international standards, especially regarding product capabilities, R&D (Research and Development) and better capacity to negotiate reinsurance terms.

Ultimately, our vision is to be a financial service provider that enhances the economic capacity of the masses, and thereby contribute towards Sri Lanka's economic development.

BOARD CHANGES

Mr. D. P. Kumarage, our Managing Director retired from the PI Board in June 2017 after having served the Company in this capacity for the past eight years. Mr. Kumarage was also the former CEO/GM of People's Leasing & Finance PLC.

Mr. S. P. K. Gunarathne, Mr. N. P. Karunarathne and Mr. W. M. Abeyrathna Bandara, all Independent Directors were appointed to the Board in January 2017, while Mr. A. S. Ibrahim, Non-independent Director was appointed in July 2017, following the retirement of Mr. D. P. Kumarage.

APPRECIATIONS

As I conclude my statement, I would first like to thank Mr. D. P. Kumarage, our former Managing Director who played a pivotal role in bringing the Company to where it stands today - one of the most profitable non-life insurers in Sri Lanka. On behalf of the Company, I wish to pay tribute to Mr. Kumarage for his exemplary leadership and dedicated service to the Company and the Group as a whole.

I extend a warm welcome to our new Chief Executive Officer – Mr. Deepal Abeysekera, who was appointed to the post with effect from July 2017. Mr. Abeysekera, who is by profession a Chartered Marketer with proven capabilities in strategic business development and brand building, brings a wealth of knowledge and experience to the business.

I am confident that under his stewardship, PI can grow to reach even greater heights in the years ahead.

I wish to thank my colleagues on the Board for their support in steering PI to even greater heights in 2017. I also wish to thank the management and the entire PI team for their commitment and dedication to delivering strong results year after year.

A word of appreciation also to our regulators, especially the Insurance Regulatory Commission of Sri Lanka for their continuous efforts for the betterment of the insurance industry.

And finally, on behalf of the Board, I wish to thank to our valued customers, business partners, shareholders and other stakeholders for their trust and confidence placed in the Company. We look forward to your continued patronage in the years ahead as well.

Jehan P. Amaratunga
Chairman

15th February 2018
Colombo

A SORTED STRATEGY

Ensuring Solid Protection

"I AM HAPPY TO REPORT THAT IT WAS ANOTHER SUCCESSFUL YEAR FOR PEOPLE'S INSURANCE PLC, WHERE WE MADE STEADY PROGRESS TOWARDS ACHIEVING OUR GOALS, BOTH FINANCIAL AND NON-FINANCIAL."

DEEPAL ABEYSEKERA
Chief Executive Officer

CHIEF EXECUTIVE OFFICER'S REVIEW

I am happy to report that it was another successful year for People's Insurance PLC, where we made steady progress towards achieving our goals, both financial and non-financial. But before I get into the details, I would like to touch on the performance trends in Sri Lanka's non-life insurance industry over the past three years. According to the statistics issued by the Insurance Association of Sri Lanka, excluding National Insurance Trust Fund, the non-life insurance industry has grown by 15.8% in 2017, compared to 14.7% in 2016 and 13.2% in 2015. This steady year-on-year growth is a good sign, which I believe is indicative of the tremendous untapped potential that exists in the local insurance market.

PI'S PERFORMANCE

Amidst this backdrop, PI's top line (GWP) grew by 10%, below the industry average of 15.8%. Of the total GWP for 2017, Motor class represented 84%, with the remainder coming from fire (8%) and miscellaneous (8%).

The Company recorded an underwriting profit of Rs. 172 million, albeit slightly lower than the Rs. 206 million reported in 2016. Nonetheless, it is the sixth consecutive year in which PI has reported underwriting profits. Given this track record, today we stand tall as one of the most profitable non-life insurers in the country.

I must admit that as part of the People's Bank Group, PI benefits from a number of significant advantages, key among them being – access to the captive business base of the Group which adds a considerable boost to our top line. Furthermore, access to the island-wide branch network of People's Leasing & Finance PLC (PLC) has enabled PI to maintain window offices at these branches, as opposed to the heavy cost burden of maintaining a dedicated branch network. This strategy offers a significant cost advantage over peers and consequently, PI has one of the lowest expense ratios in the industry.

However, in 2017, PI's net combined ratio, representing the total expenses of the Company as a percentage of net earned premium increased to 96% in 2017 from 94% in 2016. The increase was caused by the increase in net expense ratio by three percentage points to 27%, mainly on account of the higher costs arising as a result of the business expansion though net claims ratio decreased by one percentage point to 69%.

However, despite higher costs, PI's bottom-line improved year-on-year and profit after tax grew by 17% to reach Rs. 773 million in 2017, from Rs. 658 million in 2016.

Our investment income too grew by 32%, testifying to the Company's stringent portfolio management capabilities amidst upward trending market interest rates and improved equity market performance.

I am also happy to announce that PI registered an improvement in its net claims ratios, in both motor and non-motor segments. Net claims ratio of the motor segment improved from 71.8% in 2016 to 70.6% in 2017, while non-motor net claim ratio improved from 61.4% to 58.8% for the same period.

THE COMPANY RECORDED AN UNDERWRITING PROFIT OF RS. 172 MILLION, ALBEIT SLIGHTLY LOWER THAN THE RS. 206 MILLION REPORTED IN 2016. NONETHELESS, IT IS THE SIXTH CONSECUTIVE YEAR IN WHICH PI HAS REPORTED UNDERWRITING PROFITS. GIVEN THIS TRACK RECORD, TODAY WE STAND TALL AS ONE OF THE MOST PROFITABLE NON-LIFE INSURERS IN THE COUNTRY.

Rs. 172 Mn

UNDERWRITING PROFIT

for the sixth consecutive year

96%

NET COMBINED RATIO

compared to the industry net combined ratio of more than 100%

CHIEF EXECUTIVE OFFICER'S REVIEW

STRATEGIC TRANSFORMATION AGENDA

We made significant progress on our transformation agenda where we successfully executed a number of planned initiatives for 2017.

We invested in the launch of a new brand logo with a new tagline, marking a significant landmark in our journey to forge an independent identity and transform PI into the most trusted insurance brand loved by all Sri Lankans. Following extensive research, our brand architecture was revamped and an entirely new look and feel rolled out to appeal to a wider public. Epitomizing the security and protection that we promise to deliver to our customers, the new logo is a combination of our corporate initials ‘P’ and ‘I’ designed in the form of a shield, implying a ‘symbol of strength’ in today’s complex and changing world. In parallel, the new tagline ‘Caring with Love’ was also launched, depicting PI’s role as emerging player in the local non-life insurance market.

Being an area that we have been working on for some time now, we feel that this rebranding exercise will provide the necessary impetus to position the Company at the top of Sri Lanka’s highly competitive non-life insurance industry. Essentially, the aim of the entire rebranding exercise is for PI to build a name as the most trusted and revered insurance company in Sri Lanka in time to come.

We are aware that rebranding is a bold move and therefore to properly present ourselves to the market, an aggressive brand campaign was run concurrent to the brand re-launch to emphasise PI’s transformation as an independent entity, while highlighting the Company’s enduring connection to the People’s Bank Group and the symbiotic relationship with the parent brand.

To further complement our new image, we moved to a new office complex located in Colombo 05, bringing all PI’s corporate operations together, under one roof for greater efficiency and cost saving. The move also signals our commitment to better serve our customers and also facilitate our future expansion agenda.

THE BEST IN-CLASS NON-LIFE INSURER

With building blocks of our transformation agenda firmly in place, we then began to repurpose our internal operational framework to reposition PI as an independent entity in the local insurance market bringing together operational, financial and sustainability facets.

As a priority, we focused on penetrating new untapped markets, vis-à-vis all main markets/channels. This was coupled with efforts to strengthen PI’s channel management structure with additional resources being deployed in key areas, including the appointment of dedicated officers at senior level to oversee all key non-captive business channels.

Taking a more proactive approach to grow market share, we opened our third regional office in Anuradhapura to offer support to the window offices in the region and consolidate our presence in the area. Our other regional offices in Galle and Negombo perform a similar role for areas in those respective regions.

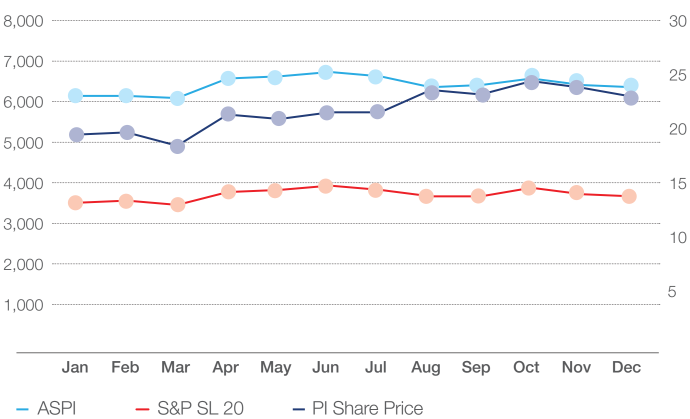
Meanwhile, to ensure we reach out to all possible customer segments, more emphasis was given to building strong teams. Having previously relied on the Group HR, we broke away from this practice and invested in setting up our own HR department. A new Head of HR was appointed in July 2017 to ensure that our human capital keeps pace with our evolving business needs. Subsequent to the appointment of the HR Head, a robust training agenda was rolled out to enhance the skills and competencies of staff. The training focus for the year was centred on technical skills programmes, covering operational areas such as underwriting, reinsurance and claims, while knowledge sharing sessions to promote understanding of industry and macro-economic developments, as well as special leadership training was also part of the training activities for 2017.

With product innovation considered a key driver of growth and market share, we forged ahead with our digital innovation strategy to design and deploy more convenient ways for customers to access information and purchase insurance online. The key initiative for the year was the enhancement of the PI corporate website, enabling multi-device compatibility to deliver a fully integrated customer experience. Further, investments were made to design a suite of e-products, through which we expect to secure first-mover advantage in servicing the insurance needs of a number of emerging sectors in the economy.

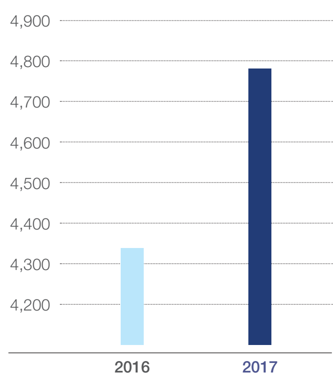
Focusing on the claim management process, several important steps were taken specifically to reduce the claim processing cycle in both motor and non-motor segments. Staff strength of claim departments was also increased in an effort to overcome processing bottlenecks, while the call centre operation was strengthened with the deployment of additional resource personnel to improve response times and minimise customer call waiting.

I am happy to report that the ongoing digitisation of our systems infrastructure continues to deliver positive results. Efforts to upgrade our legacy systems have paved the way for greater process efficiency and cost savings across many of our operations. Measures to

SHARE PRICE PERFORMANCE



GROSS WRITTEN PREMIUM



enhance overall productivity at all levels of the business, saw the roll out of a '5S' programme in partnership with the National Productivity Secretariat. Phase 1 of the programme commenced in November 2017.

SHARE PERFORMANCE

I am proud to announce, the People's Insurance share performed consistently well at the stock market in 2017 despite market volatilities, a testament to our strong financial position and solid financial track record.

The share price picked up significantly compared to the previous year to hit a high of Rs. 25.90 in 2017 and end the year at Rs. 23.00, indicating a capital gain of 21% in 2017 for our shareholders.

DIVIDENDS

As a culmination of our sustained results over the past five years, the Board proposes a final dividend of Rs. 0.25 per share for the year under review, taking the total dividend to Rs. 2.00 per share together with the interim dividends of Rs. 1.75 per share declared for 2017.

LOOKING AHEAD

Given the steady place of our transformation journey, I remain very optimistic about PI's prospects for the future. Moving forward from what we have built up to now, we intend to invest in a manner that enhances our financial stability and provides a platform for sustainable growth. From a marketing perspective, our number-one priority for the coming years will be to differentiate PI as a trusted insurer who seeks to make life better for people.

This would mean scaling up our investment in technology and research to stay ahead of peers in terms of product innovation, process efficiency, cost leadership and above all service delivery.

Meeting our aim to be the most trusted and revered insurance company in Sri Lanka in time to come, would also call for increased focus on transforming our corporate culture and in particular the mind set of our people to inspire them to take ownership for the Company's future.

I am confident that our focus on these key areas coupled with our solid strategy, low-cost operating model together with the synergies that come with being part of one of the largest financial sector groups in Sri Lanka, would yield positive growth and improved financial results, leading to increased sustainable stakeholder value creation in the years ahead.

APPRECIATIONS

I take this opportunity to thank our Chairman and the Board of Directors for their foresight and visionary leadership that has paved the way for the Company to continue to grow sustainably.

I also wish to express my sincere appreciation to past and present leadership and the staff of People's Insurance PLC for the tireless commitment they have shown year after year. A special word of thanks to Mr. Kumarage, our former Managing Director who relinquished his duties with effect from June 2017, after eight years of yeoman service to the Company. My gratitude also goes to Mr. Nimal Perera, PI's Technical Consultant, for dedicating his valuable time and expertise.

My grateful thanks also go to our brokers, agents, reinsurers and other stakeholders for their loyal support.

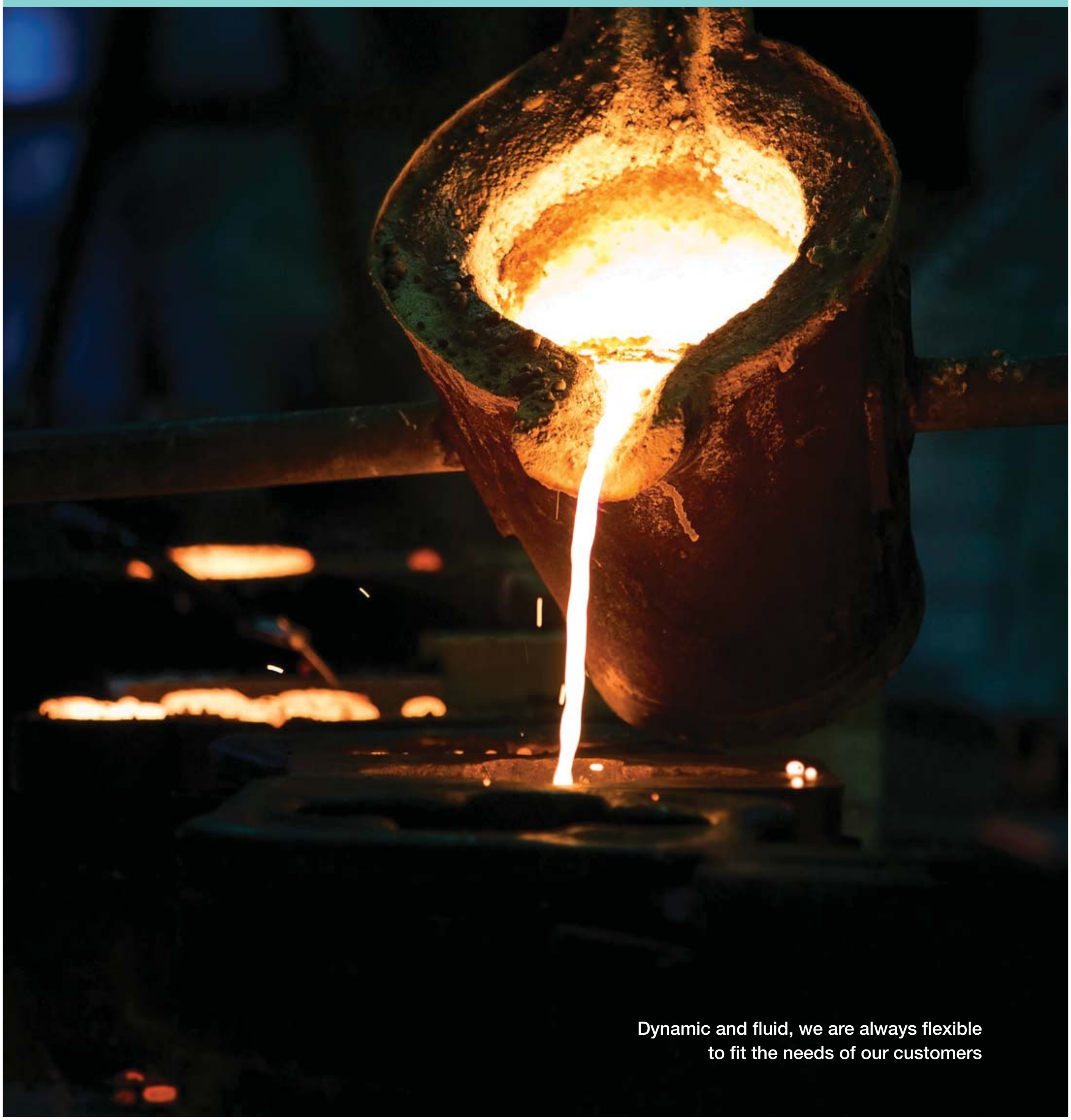
To conclude, I wish to extend my sincere thanks to all our customers and shareholders for the trust and confidence placed in the Company, even as I seek your continued patronage in the long term.

Deepal Abeysekera
Chief Executive Officer

15th February 2018
Colombo

VALUE CREATION FRAMEWORK

Fitting the Mould



Dynamic and fluid, we are always flexible
to fit the needs of our customers

STAKEHOLDER ENGAGEMENT

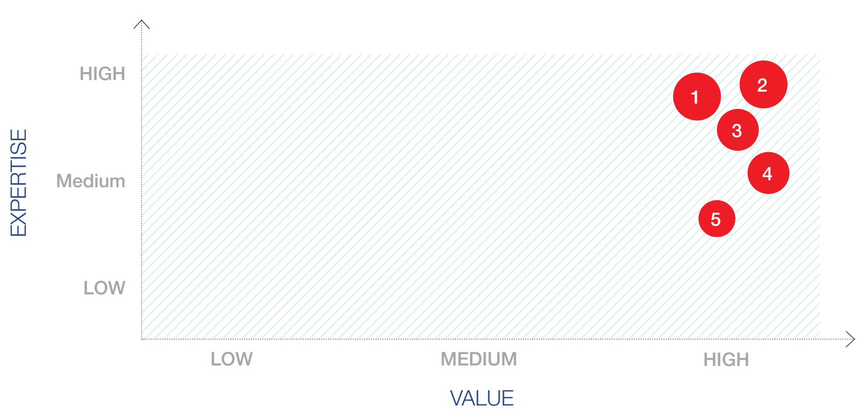
OUR STAKEHOLDERS

Our stakeholders are those individuals or organisations that have an interest in our success or failure and whose opinions and actions can impact on our ability to execute our strategy and conduct our business activities.

We recognise the importance of strong and constructive relationships with our stakeholders, for we believe that stakeholder engagement is a critical step in our value creation process. We work hard to build and maintain relationships with our stakeholders based on the principles of trust, respect, transparency and constructive engagement. As stated in our mission, we are committed to working with all our stakeholders with integrity and fairness and as such have adopted a systematic stakeholder mapping process to identify analyse and prioritise our stakeholders.

We categorise all of the stakeholders identified above into five categories and have prioritised them in accordance of expertise, willingness and value.

1. Investors: parent company, People's Leasing & Finance PLC (PLC)/Ultimate parent, People's Bank (PB)/Other investors
2. Employees: Employees of the organisation
3. Customers: Individual and corporate clients
4. Business partners: suppliers/reinsurers/brokers/vehicle agents/garages/financial institutions
5. Community and environment: Government/regulators/environment/industry association/sister companies in PLC Group/civil society and community groups



Relative size of the circle shows the willingness

GRI 102 - 43, 44

STAKEHOLDER ENGAGEMENT

CONNECTING WITH STAKEHOLDERS

Considerable resources are allocated to ensure we engage appropriately with stakeholders and properly understand the challenges and expectations facing each stakeholder group. These concerns are then assimilated into PI's strategic and operational objectives and targets in an effort to balance the needs of stakeholders with our responsibility to deliver timely, relevant and competitive products and services.

INVESTORS

ENGAGEMENT TOOL	FREQUENCY	MATTERS OF INTEREST	PI'S RESPONSE
Board papers Financial statements Annual Reports Annual General Meetings Declarations through the CSE Group meetings with parent companies Business agreements with parent companies Networking events with parent companies	Monthly Quarterly Annually As and when required	Return on investment Good governance and corporate ethics Risk management Internal controls Compliance Social responsibility	Business and operational priorities Top-line growth Brand equity Governance, compliance and risk management

EMPLOYEES

ENGAGEMENT TOOL	FREQUENCY	MATTERS OF INTEREST	PI'S RESPONSE
Team meetings General staff meetings Cluster meetings Performance appraisal Training programmes Staff circulars News letter Intranet	Daily Monthly Semi-annually Annually	Due promotions, rewards and remuneration Performance based culture and assessments Skill development Welfare	Business and operational priorities Employee development

CUSTOMERS

ENGAGEMENT TOOL	FREQUENCY	MATTERS OF INTEREST	PI'S RESPONSE
Communication materials Web site 24 hours call centre Social media Mass media Networking events One to one communication	Daily Monthly Annually As and when required	Value added product range Fair pricing Convenient and fair claim settlement Quick turnaround time for processing claim	Business and operational priorities Delivery and distribution Best in-class customer experience

BUSINESS PARTNERS

ENGAGEMENT TOOL	FREQUENCY	MATTERS OF INTEREST	PI'S RESPONSE
Business partner meetings Training programmes Reinsurance declarations	Daily Monthly Annually As and when required	Prompt payments Best practices Ethical relationship and loyalty Disclosure of required information	Business and operational Priorities Top-line growth Brand equity

COMMUNITY AND ENVIRONMENT

ENGAGEMENT TOOL	FREQUENCY	MATTERS OF INTEREST	PI'S RESPONSE
Charity projects Employee volunteerism Meetings Annual Reports Industry forums	Annually As and when required	Community recruitments Community service projects Philanthropic activities Compliance with environmental laws and regulations Environment campaigns Recycling waste	Business and operational priorities Governance, compliance and risk management

GRI 102 - 46, 47 GRI 103 - 01

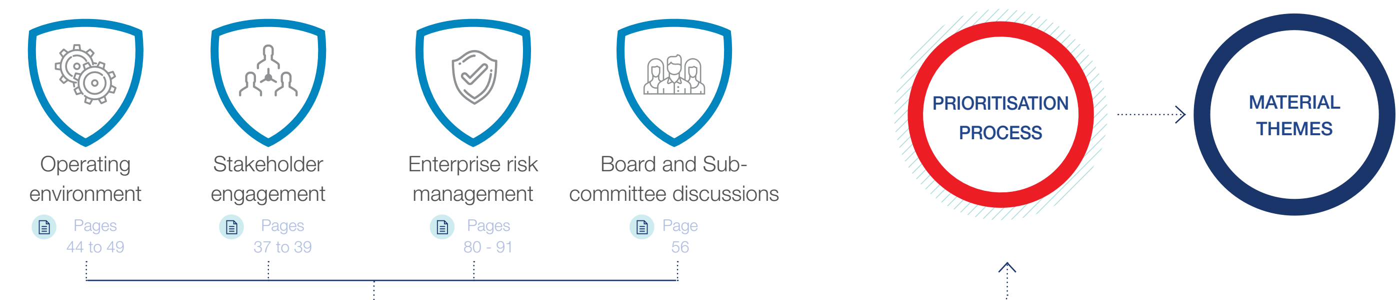
MATERIALITY

What we consider as material to our business are the factors that will substantially affect our ability to create value for our stakeholders over time. Our material matters represent a prioritised view of our inherent risks and opportunities as determined by the materiality determination process.

The process of determining our materiality is done by assimilating a set of material risks and opportunities through the review of our operating environment, Enterprise Risk Management (ERM), stakeholder engagement process as well as through regular Board and Board Sub-committee discussions.

On this basis, we have identified the following aspects to be the material matters relevant to our business in 2017.

Materiality Determination Process



GRI Standard No./ Material Topic	Topic Boundary/ Stakeholder Group	Management Approach/Capital Reports	Reasons for Materiality
201 Economic performance	Investors Employees Community	Management Approach at a Glance on page 273. Value Addition and Distribution on page 146.	PI creates job opportunities and supports inclusive growth by facilitating economic activities through insurance.
204 Procurement practices	Business partners	Management Approach at a Glance on page 273. Social and Relationship Capital on pages 123 to 132.	In line with the Group policy, the Company considers local sourcing as a policy. A administration department registers suppliers and screens them to ensure ethical sourcing.
205 Anti-corruption	Employees Customers	Management Approach at a Glance on page 273. Human Capital on pages 114 to 122.	PI being an insurance company, possesses a comprehensive business code of ethics to protect customers from any unethical business practices.
206 Anti-competitive behaviour	Customers Business partners Community	Management Approach at a Glance on page 273. Social and Relationship Capital on pages 123 to 132.	Being a member of highly competitive industry, PI values the view of anti-competitive behaviour avoids unfair competition.
302 Energy	Community	Management Approach at a Glance on page 273. Natural Capital on pages 138 to 142.	The Company is highly dependent on energy to run fully automated systems and infrastructure facilities such as corporate office, call center, branches and window office network.

GRI 102 - 46, 47, 49 GRI 103 - 01

GRI Standard No./ Material Topic	Topic Boundary/ Stakeholder Group	Management Approach/Capital Reports	Reasons for Materiality
305 Emissions	Community	Management Approach at a Glance on page 273. Natural Capital on pages 138 to 142.	GHG emissions are an indirect negative impact of our business operations since insurance of motor vehicles is our main business.
306 Effluents and waste	Community	Management Approach at a Glance on page 273. Natural Capital on pages 138 to 142.	Office based operations of PI generate paper and food waste in addition to small volumes of electronic waste.
307 Environmental compliance	Community	Management Approach at a Glance on page 273. Natural Capital on pages 138 to 142.	Our business operations are not directly subject to any environmental compliance requirements. As such, PI voluntarily reports on its environmental performance.
401 Employment	Employees	Management Approach at a Glance on page 273. Human Capital on pages 114 to 122.	Employees are recognised as the most valued asset of PI.
402 Labour/management relations	Employees	Management Approach at a Glance on page 274. Human Capital on pages 114 to 122.	
404 Training and education	Employees	Management Approach at a Glance on page 274. Human Capital on pages 114 to 122.	Upgrading employee skills in order to delight customers and to ensure business continuity through a performance based culture.
405 Diversity and equal opportunity	Employees	Management Approach at a Glance on page 274. Human Capital on pages 114 to 122.	PI values the diversity in staff and provides them equal opportunity. This is further enhanced through the Takaful window of the Company.
406 Non-discrimination	Employees	Management Approach at a Glance on page 274. Human Capital on pages 114 to 122.	Being a socially responsible company, we avoid discrimination on the grounds of race, ethnicity, gender, religion or political opinion.
417 Marketing and labelling	Customers	Management Approach at a Glance on page 274. Social and Relationship Capital on pages 123 to 132.	Being an insurance provider, we are committed to fair and responsible marketing communications as well as access to information about the composition of products and their proper use can help customers to make informed choices.
418 Customer privacy	Customers	Management Approach at a Glance on page 274. Social and Relationship Capital on pages 123 to 132.	With due respect to customer privacy, taking reasonable measures to ensure the security of personal data we collect, store, process and disseminate is very important as a responsible insurance solution provider.
419 Socio-economic compliance	Community	Management Approach at a Glance on page 274. Social and Relationship Capital on pages 123 to 132.	Compliance and being conscious of our impact on social systems within which we operate is a must to sustain our business operations

The content of the report has been developed based on the degree of importance (high level and medium level) assigned to each material aspect. No significant changes are reported in 2017 and the list of material topics and their topic boundaries remain the same as the previous reporting period.

BUSINESS MODEL

ENVIRONMENT

CONFORMANCE GOVERNANCE AND RISK MANAGEMENT

- Effective leadership right at the top
- Clearly defined governance structure
- Ethics culture

Pages 52 to 91

PERFORMANCE GOVERNANCE

VISION

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

MISSION

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

STRATEGY

- Competitive strategy
- Marketing strategy
- Growth strategy

Pages 93 to 95

Stakeholder Engagement and Materiality

Pages 37 to 41

Resource Allocation

Page 96

CAPITAL EMPLOYED (INPUTS)

FINANCIAL CAPITAL
Stated capital and retained earnings
Pages 101 to 110

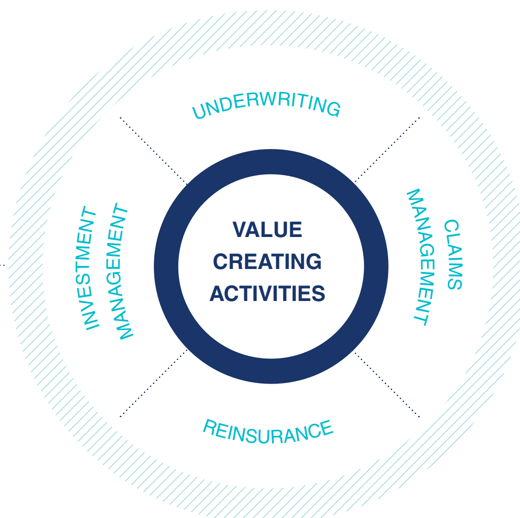
MANUFACTURED CAPITAL
Corporate office and regional/ window office network and IT infrastructure
Pages 111 to 113

HUMAN CAPITAL
Talented employees of the Company
Pages 114 to 122

SOCIAL AND RELATIONSHIP CAPITAL
Relationship with customers, business partners, regulators and community
Pages 123 to 132

INTELLECTUAL CAPITAL
Brand reputation, institutional knowledge, IT software and corporate culture
Pages 132 to 137

NATURAL CAPITAL
Corporate attitude and action on environment
Pages 138 to 142



Business Report - pages 97 to 100

VALUE CREATION OVER THE PERIOD

EXTERNAL CHALLENGES

- Rising inflation
- Fluctuations in exchange rates
- Changes in balance of trade
- Lower credit growth
- Frequent regulatory changes
- Growing focus on environmental concerns by the Government and society
- Rivalry among insurance companies

SUPPORT SERVICES

- Finance
- HRM and Administration
- Legal
- ICT
- Internal Audit
- Research & Development

Trade-off between Capitals

Pages 144 to 145

CAPITAL ENHANCED IN VALUE CREATION

	OUTPUT	OUTCOME
FINANCIAL CAPITAL	• Profit after tax - Rs. 773 Mn • Asset base - Rs. 7,748 Mn • Return on equity - 25% • Dividend per share - Rs. 2.00	• Wealth maximisation • Financial stability • Contribution towards economic growth
MANUFACTURED CAPITAL	• Regional officers - 3 • Window offices at PLC - 99 • Window offices at PB - 25 • New corporate office building - 1 • Fixed asset investment - Rs. 84 Mn	• Enhanced island-wide presence • Better working environment • Convenient and speedy service
HUMAN CAPITAL	• Staff strength - 385 • Employee benefits - Rs. 246 Mn • Employee retention - 85%	• Enhanced employee skills • Enhanced employee loyalty • Equal opportunities • Enhanced employee satisfaction and wellbeing
SOCIAL AND RELATIONSHIP CAPITAL	• Community investments - Rs 0.6 Mn • Customer base - 139,267 • Capital adequacy ratio - 319% • Above 'A' rated reinsurance panel - 13	• Customer satisfaction and loyalty • Quality ties with business partners • Responsible corporate citizen
INTELLECTUAL CAPITAL	• New logo • First TV commercial released • Captive business - 88% • User friendly insurance ERP system	• Enhanced visibility • Economies of scale through group synergies • Speedy customer service
NATURAL CAPITAL	• Carbon footprint - 478 tCO_2e • No. of trees planted - 400 • Paper recycled - 1,892 kg	• Environment friendly business culture • Member of a carbon neutral group

EXTERNAL OPPORTUNITIES

- Increasing per capita income
- Lower penetration and density
- Positive change of attitude on insurance
- Improvement of technology and spread of social media

Pages 44 to 49

ENVIRONMENTAL ANALYSIS

ACCORDING TO INTERIM DATA RELEASED BY THE CENTRAL BANK OF SRI LANKA (CBSL), SRI LANKA'S ECONOMY IS PROJECTED TO HAVE GROWN BETWEEN 4%-4.5% IN 2017.

MACROECONOMIC ENVIRONMENT

GLOBAL ECONOMIC UPDATE

The global economy showed signs of strengthening in 2017. According to the 'World Economic Situation and Prospects – January 2018 briefing' issued by the United Nations, global GDP grew at an estimated 3%, the highest since 2011 which is a significant acceleration compared to 2.4% seen in 2016. Higher global growth in 2017 stems largely from firmer growth in developed economies, greater stability in financial market conditions and the absence of major negative shocks such as commodity price volatility. Meanwhile, roughly two-thirds of the world's countries saw stronger growth in 2017 than in 2016, thanks to a pickup in world trade activities.

The US economy is said to have expanded by 2.2% in 2017, a significant improvement compared to the 1.5% growth recorded in 2016. The growth acceleration largely stems from shifting business investment dynamics and, to a lesser extent, net trade.

In the United Kingdom (UK), growth remained constrained by the pressures arising from Brexit. The weaker Pound Sterling resulted in a rise in import costs and inflation, weighing on domestic demand, while business investment suffered from uncertainty surrounding the future framework governing economic relations between the UK and the European Union (EU).

In contrast, economic activity in Europe remained robust, driven by increased household consumption amidst rising disposable income, falling unemployment, further upward wage pressure and low interest rates. Moreover, the expansionary monetary policy stance continued to underpin business investment and construction activity across the region.

Economic growth in Japan accelerated in 2017 with GDP growth reaching an estimated 1.7%. Growth has been led by a rapid expansion of domestic demand, amid a continued accommodative macroeconomic policy stance. Steady expansion in external demand from Asia and North America also contributed to overall GDP growth.

Growth in emerging Asia was stable at an estimated 6.5% in 2017. This was based largely on sustained vigorous 6.8% expansion in China's GDP. Modest inflationary pressures, low interest rates and favourable labour market conditions together with resilient domestic demand and an improvement in exports, were the regions' key growth drivers in 2017.

Source: UN - World Economic Situation and Prospects – January 2018 briefing

SRI LANKAN ECONOMIC UPDATE

According to interim data released by the Central Bank of Sri Lanka (CBSL), Sri Lanka's economy is projected to have grown between 4%-4.5% in 2017 with tight fiscal and monetary policies, the ongoing contraction in the agriculture sector and slower growth in industrial activity believed to be the main reasons behind the low growth rate. Growth for the year was once again led by the services sector, mainly the financial services, telecommunication and health sectors, each growing at a rate of nearly 20% year-on-year, while insurance services reported growth of 11% year-on-year.

Upbeat indicators for both Q3 and early Q4 suggest that the health of the economy steadily improved in the second half of 2017. Moreover, FDI inflows—led by China, registered an increase, while apparel exports appear to have benefitted from the reinstatement of the European Union's GSP+ trade arrangement earlier in the year.

Meanwhile in July 2017, the IMF disbursed the third tranche of US$ 167.2 million from the

US$ 1.5 billion Sri Lanka's Extended Fund Facility (EFF), followed by the fourth tranche of US$ 251.4 million in December 2017, bringing the total received so far to US$ 759.9 million. This in turn confirms Sri Lanka's satisfactory performance in achieving IMF-EFF targets during 2017 in terms of specified performance criteria and certain structural benchmarks.

Higher inflows to the Government securities market and the Colombo Stock Exchange (CSE) as well as long term financial flows to the Government were also witnessed during the year. With these developments on the external front, the CBSL was able to build official reserves of over US$ 7.9 billion at the end of 2017.

Outlook and Prospects

Sri Lanka's economy is expected to rebound in the year ahead, on the back of strong global growth. GDP growth for 2018 estimated to hit between 5.0%-5.5%, led by a number of key factors; higher export earnings owing to the recovery in key export markets, the CBSL policy of maintaining exchange rate flexibility, conducive external trade policies and tight fiscal control leading to improved macroeconomic conditions of the country. Meanwhile, the reinstatement of the EU GSP+ facility, the expected conclusion of the free trade agreements with Singapore, China and India and strong institutional and policy support are also expected to drive exports.

Further improvements are expected from tourism and inward remittances in 2018 along with increased FDI's as the Hambantota industrial zone and the Colombo Port City project gather momentum.

Source: Roadmap, Monetary and Financial Sector policies for 2018 and Beyond and Recent Economic Developments

REGULATORY UPDATE

Amidst the highly unstable political arena within the country, changes to the regulatory framework continue to have a bearing on the business environment. During the period under review, major structural and regulatory changes were made by the Government in an effort to reshape the future direction of the country. Among the notable changes was the introduction of the new Inland Revenue Act and the new Foreign Exchange Act and related changes to pave the way forward of the country. More coherent monitoring systems were also imposed on the state owned enterprises, under the direction of international bodies.

Apart from the Government, regulators such as the CSE, Securities and Exchange Commission (SEC) and IRCSL also issue circulars directions and impose rules and regulations from time to time, to enhance the quality and the standard of the industry and organisation.

SOCIETY AND CULTURE

Socio cultural factors such as social attitudes and cultural values and beliefs, religious beliefs, norms, and perceptions about women in the work force, etc. continue to have a significant impact on the economic, demographical, political/legal and technological changes and conditions in Sri Lanka. Change of lifestyles, purchasing patterns and disposable income are among the main drivers of changing social and cultural background in recent times. In the past two years, an emerging social pattern has been observed, that being an attitudinal change towards a favourable insurance culture, mainly as a result of the higher incidence of unexpected natural disasters such as floods and earth slips in the past two years.

TECHNOLOGY

In this fast moving world, information technology and internet now plays vital role in the daily lives of people. Social media is now an integral part of modern society. Therefore, the demand for technology-driven platforms is on the rise and web-based solutions have become second nature to customers. For businesses, this means investing in product innovations, new communication technologies, and application of technical knowledge to enhance the customer's overall experience.

ENVIRONMENT

Sustainable development essentially requires a country, society or organisation to consider the impact to the environment caused by their day-to-day business activities. In line with this thinking, green concepts are becoming popular among the corporate now more than ever. Minimising waste and effluents and use of renewable energy and carbon neutrality, are the main focus areas for modern corporates trying to control the impact to the environment. With environmental authorities and pressure groups encouraging corporates to work in tandem with the country's sustainable development goals, many corporates are now investing in carbon offsetting and carbon credits purchasing to negate the business impact on the environment.

ENVIRONMENTAL ANALYSIS

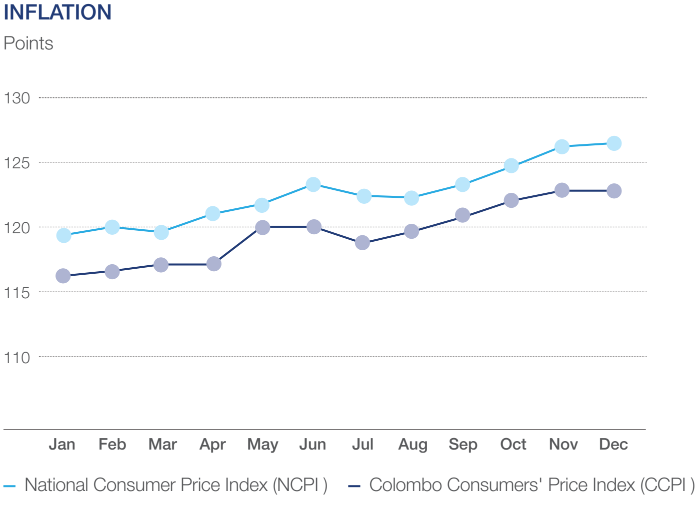
ECONOMIC, SOCIAL AND ENVIRONMENTAL IMPACT ASSESSMENT

Aspect	Context in 2017	Impact to PI
External sector	The country's trade deficit widened in 2017, as import expenditure overtook higher export earnings. The reduction in worker remittances also had a further detrimental impact on the trade deficit.	To reduce trade gap, the Government revised the duty structure with the aim of curtailing imports. Consequently, the introduction of import tariffs and other indirect initiatives resulted in lower vehicle imports to the country. From PI's perspective, growth in new business was affected by the lower number of vehicle registrations.
Inflation	Inflation increased in 2017, with both indices, Colombo Consumer Price Index (CCPI) and National Consumer Price Index (NCPI), showing upward movement in prices. The adjustments made to the government tax structure, the adverse impact of high food prices associated with weather related supply side disruptions along with rising international commodity prices were deemed the main reason for higher inflation.	High inflation led to a reduction in real disposable income and consequently, lower investments in vehicles. Lower disposable income also meant people were unwilling to purchase additional covers or non-motor insurance products and instead opt for minimum vehicle insurance cover to satisfy the legal requirement. This negatively impacts the Company's top line.
Exchange rate	The Rupee depreciated by 2.8% against the US Dollar (USD), as the CBSL continued to allow market forces to determine the exchange rate. Further efforts by the CBSL to absorb foreign exchange from the domestic interbank foreign exchange market in order to build up the quantum of non-borrowed foreign exchange reserves also helped to smoothen the exchange rate behaviour. There were even some instances of appreciation of the Rupee in 2017, indicating significant inflows to the foreign exchange market.	Majority of reinsurance payments are paid to foreign reinsurers in USD terms. With the depreciation of the Rupee, outward remittances became more expensive and negatively affected to the Company's profitability. However, the limited amount of USD investments of the Company has a favourable impact due to above deterioration.
Interest rates	The CBSL changed its policy rates in March 2017 increasing both the Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) by 25 bps to 7.25% and 8.75% respectively. No further changes were made by the CBSL, maintaining rates at the same level for the rest of the year.	Increased interest rate resulted in higher investment income from fixed income securities of the Company.
Credit growth	Credit extended to the private sector decelerated gradually in the second half of the year, in response to the prevailing high nominal and real interest rates.	Reduced credit growth resulted in slower growth in the corporate sector, in turn leading to a reduction in leasehold assets. This factor in particular ultimately meant lower insurance business, in turn affecting the top line of the Company.

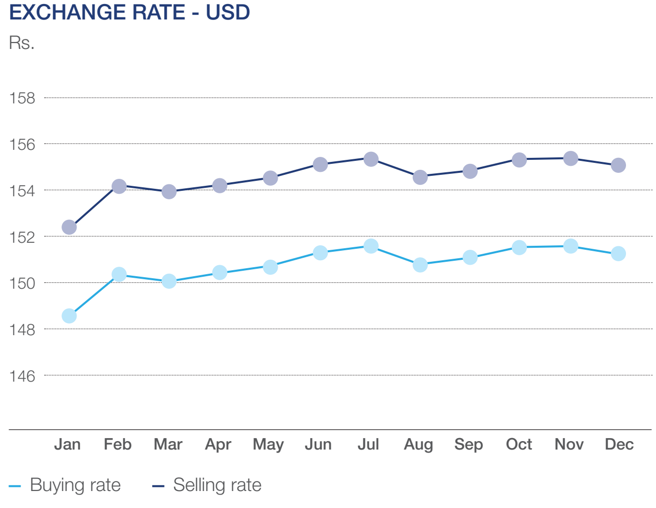
ECONOMIC, SOCIAL AND ENVIRONMENTAL IMPACT ASSESSMENT

Aspect	Context in 2017	Impact to PI
Regulatory changes	Introduction of the Inland Revenue Act and Foreign Exchange Act.	Investment income will be negatively affected due to the withdrawal of exemptions granted on some investment instruments, including listed debentures and unit trusts as well as new taxes imposed on capital gains.
Change of attitude on insurance	The sudden increase in natural disasters such as floods and earth slips, resulting in a change in public perception towards insurance.	Positive changes in the insurance culture had a favourable impact on non-motor insurance, mainly due to the change public perception, especially in property and business insurance sectors.
Improvement of technology and spread of social media	Rapid advancements in technology, widespread use of social media and increased use of mobile applications.	Prompted by the growing popularity of the internet and social media platforms, the Company aggressively focused on social media based advertising supported by the use of mass media.
Growing focus on environmental concerns by the Government and society	The Government's specific efforts to encourage corporates to adopt green initiatives.	Being in the service industry, environmental regulations are not specifically applicable to PI. Nonetheless, the Company has pledged its support to environmental cause through its ongoing investments in green initiatives, including the adoption of the carbon footprint calculation process, annually since 2015.

INFLATION



EXCHANGE RATE - USD



ENVIRONMENTAL ANALYSIS

INSURANCE INDUSTRY CONTEXT

GLOBAL NON-LIFE INSURANCE INDUSTRY

The global demand for non-life insurance products increased steadily in 2017, underpinned by a multitude of large natural catastrophic events in the Americas alongside the general revival in global economic prospects. Notably, emerging markets continue to provide growth opportunities for insurers and once again, emerging Asia appears to be the main driver of overall emerging market premium growth.

Premiums have risen moderately in almost all countries/regions in 2017 due to stronger economic growth. Global non-life premiums are up an estimated 3% in real terms, after a 2.3% gain in 2016. In the advanced economies, real premiums have grown by about 2% in 2017, up slightly from 1.5% in 2016. Non-life premiums in the emerging markets have grown by an estimated 6% in 2017, up slightly from 2016 and 2015, but slower than the 8% annual average growth between 2010 and 2014.

Globally, non-life underwriting conditions remained weak for most of 2017, mostly a direct consequence of excess capital in the market. In addition, a softening premium rates, higher claim costs and high numbers of nat-cat (Natural Catastrophe) losses brought pressure on the profitability of primary insurers in 2017. After five quiet years with low nat-cat losses, in 2017, the global non-life reinsurance industry was struck by heavy losses from the hurricane season in the Caribbean and the US, cyclone Debbie in Australia, earthquakes in Mexico and wild fires in California and Southern Europe. The season's three major storms – Harvey, Irma and Maria – alone are estimated to have caused significant insured losses.

To add to the burden of eroding profits, global insurers were yet again forced to accept poor investment returns amidst low interest rate environment seen in recent years. Nonetheless, the capital position of global reinsurers, the traditional source of capital, grew by 3%, compared to 1% increase in 2016. The increase was almost entirely due to unrealised gains on investments, mainly associated with declines in interest rates.

Source: Swiss Re Institute Global insurance review 2017 and outlook 2018/19

NON-LIFE INSURANCE INDUSTRY IN SRI LANKA

Overview

The insurance industry as a whole has continued to grow in recent times, with both life and non-life insurance segments growing consistently over the past decade. In fact of late, the insurance sector has gained prominence as a key component of the financial services sector.

As at 31st March 2017, there were 12 dedicated life insurers and 13 specialised non-life insurers together with 3 composite insurers authorised to conduct both non-life and life insurance business. There were 58 insurance brokering companies registered with the regulator, the IRCSL as at 31st December 2017 to concentrate on non-life insurance business.

According to the IRCSL data, rivalry among the insurance companies remains stiff, mainly among the four large players (Sri Lanka Insurance Corporation, Ceylinco Insurance, Fairfirst Insurance and Janashakthi Insurance), who together account for 90% of the total assets of the industry. In recent years, competition among smaller players has also intensified with many beginning to offer innovative products and resorting to other low penetration strategies to secure a foothold in the market.

All non-life insurers in Sri Lanka rely heavily on motor insurance, making it a fiercely price competitive segment of the local insurance market. Taking advantage of relatively lower 'switching cost' for the motor insurance policy holder, existing players have begun undercutting premium charges in order to increase their market share.

Meanwhile, the recent ruling by the IRCSL to segregate composites into life and non-life with minimum capital requirements for each class of business and regulatory changes to bring more transparency and policyholder protection has left small players (mainly non-life insurers) struggling to survive, paving the way for takeover from larger players who are looking to consolidate as a means of expanding their portfolios and sustaining their longer-term growth prospects.

Insurance Penetration and Density

Despite the growth momentum in recent times, the insurance industry in Sri Lanka is still at early stage of the life cycle as evidenced by the low penetration and insurance density levels. Life insurance is significantly under penetrated compared to peer countries. Non-life insurance penetration on the other hand is on par with regional peers. The higher penetration level in the non-life insurance segment is driven by the regulatory requirement for motor insurance of the total motor insurance policies issued, a significant part is dominated by third-party insurance, which offers only the minimum level of protection that can be obtained at the lowest possible premium, in turn reflecting back to the lack of sophistication in the current insurance culture.

According to latest available data, insurance penetration, which reflects the insurance premium as a percentage of GDP amounted to 1.21% in 2016. Although this is a marginal increase from the 1.12% recorded in 2015, it is nonetheless low compared to most of the other countries in the Asian region. Penetration of the long term insurance business in 2016 stood at 0.54% (2015 - 0.49%), while penetration levels in the non-life insurance business was slightly higher at 0.67% (2015 - 0.63%) for the same period.

Insurance density reflects the insurance premium income per person of the population and has increased to Rs. 6,743 in 2016 compared to Rs. 5,865 recorded in 2015, growing by 14.97% mainly due to increased premium income against lower increase in population.

Premium Income and Growth

The insurance industry's premium income has been witnessing steady year-on-year growth for the past few years. Continuing with this growth trajectory, the insurance industry recorded a growth of 13.87%, in terms of Gross Written Premium (GWP), during the first half of year 2017. GWP of non-life insurance business amounted to Rs. 42,505 million (1st Half 2016 - Rs. 36,580 million) during the first half of 2017, an increase of 16.20% when compared to the corresponding period of year 2016. Based on the statistics compiled by the Insurance Association of Sri Lanka, GWP of the non-life sector is estimated to touch Rs. 88,924 million by the year-end, excluding National Insurance Trust Fund (NITF).

Seemingly unaffected by the ongoing restrictions on vehicle financing as well as the higher duty structure for imported vehicles, the motor-class continued to dominate the non-life insurance business, accounting for 65% of the total premium income for the first six months of 2017, while the non-motor class including fire, marine and miscellaneous sub classes took up the remaining 35% share for the same period.

Total Assets

Total assets of insurance companies increased to Rs. 533,075 million as at 30th June 2017 when compared to Rs. 478,427 million recorded as at 30th June 2016, reflecting a growth of 11.42%. Assets of non-life insurance business reached Rs. 157,915 million at the end of first six months of 2017 (1st Half 2016 - Rs. 154,823 million), depicting a growth rate of 2.00%.

Investment in Government Securities

Investment in Government Debt Securities amounted to Rs. 206,560 million or 38.75% of the industry's total assets as at 30th June 2017 (1st Half 2016 - Rs. 190,224 million; 39.76%). Of this 19.59%, or Rs. 30,933 million was attributed to non-life insurance business (1st Half 2016 - Rs. 31,986 million; 20.66%).

Claims Incurred by Insurance Companies

Claims incurred by insurance companies in the first half of 2017 was Rs. 32,249 million (1st Half 2016: Rs. 29,171 million), an increase of 10.55% year-on-year. Claims incurred in the non-life insurance business, including motor, fire, marine and other categories, amounted to Rs. 20,258 million (1st Half 2016: Rs. 18,103 million), an increase of 11.91% when compared to the corresponding period of year 2016.

Profit Before Tax

The profit (before tax) reported by insurance companies for the first half of 2017 decreased by 11.38% to Rs. 4,660 million (1st Half 2016 - Rs. 5,259 million). In contrast, profit (before tax) of the non-life insurance business grew by 114.9%, during the first half of 2017 to Rs. 3,922 million (1st Half 2016 - Rs. 1,825 million).

Outlook and Prospects

Non-life insurance segment's heavy dependence on motor insurance will put the segment at risk of stagnation, because despite expected stabilisation of interest rates within next 2 years, limited growth in motor sector is forecast due to restricted finance facilities and higher duty structure for imported vehicles.

Accordingly, the motor segment contribution to non-life GWP would likely be limited in the years ahead, resulting from limited growth in new vehicle registration coupled with price competition in the motor insurance sector.

It is imperative therefore that moving forward, the non-life business focuses on alterative revenue drivers in the non-motor class, including specifically; health and surgical, fire, marine etc. through which the non-life industry itself can migrate to a more mature level on par with other regional economies.

Source: Insurance Regulatory Commission of Sri Lanka

CONFORMANCE

Safeguarding our Business

ENTERPRISE GOVERNANCE

THE COMPANY STRIVES TO BALANCE THE TWO DIMENSIONS OF CONFORMANCE ROLES OF ACCOUNTABILITY, MONITORING AND CONTROL TOGETHER WITH PERFORMANCE ROLES OF FORMULATING THE STRATEGY AND POLICY WHICH THUS EVIDENCES THE COMPANY'S PURSUIT OF CREATING VALUE AND ACCUMULATING FINANCIAL AND NON-FINANCIAL WEALTH FOR ITS STAKEHOLDERS.

Enterprise governance is at the core of the corporate philosophy of People's Insurance PLC. It entails a framework on conformance (corporate) governance and performance (business) governance. We, at People's Insurance strive to strike a balance between these two dimensions of conformance role of accountability, monitoring, control, compliance and assurance and performance role of formulating strategy, resource allocation and value creation.

Reports

- Conformance Governance
- Risk Management

Pages 52 to 91

Reports

- Strategy
- Resource Allocation
- Business Report
- Capital Management
- Trade-off between Capitals
- Value Addition and Distribution
- Contribution to Sustainable Development Goals
- Financial Information

Pages 93 to 148

This report describes how we create value to stakeholders through performance governance under strategy, resource allocation, value creation under six capitals and how conformance governance facilitate and provide framework for such activities through effective leadership right at the top, clearly defined governance structure and ethics culture built on externally imposed and internally developed tools where mandatory and voluntary adherence is required.

CONFORMANCE GOVERNANCE

CLEARLY DEFINED VISION, MISSION, STRUCTURE AND OPERATING PROCEDURES WITHIN THE COMPANY IMPROVE TRUST AND TRANSPARENCY BY GIVING EACH ONE OF OUR EMPLOYEES A PROPER UNDERSTANDING OF THEIR ROLE AND DUTIES.

CHAIRMAN'S MESSAGE ON GOVERNANCE

We believe that strong governance underpins the successful execution of PI's strategy. We recognise the importance of, and remain committed to, high standards of corporate governance, aligned with the needs of the Company and the interests of all our stakeholders.

PI's commitment to good governance is formalised in its charters, policies and operating procedures. Clearly defined vision, mission, structure and operating procedures within the Company improve trust and transparency by giving each one of our employees a proper understanding of their role and duties. This has been both a top-down and bottom-up exercise to ensure that the right people are making the right decisions.

We also take additional action to promote a positive culture and tackle unfavourable business practices by creating a culture where individuals feel empowered to speak up and voice concerns.

All our governance processes are regularly reviewed taking cognizance of the challenges in the operating environment, evolving regulatory framework and best practice into account.

The following pages set out comprehensively the governance processes at PI and also explain the changes and improvements that have been done in 2017, to facilitate our journey towards achieving excellence in corporate governance.

Jehan P. Amaratunga
Chairman

15th February 2018
Colombo

STATEMENT OF COMPLIANCE

The Board of Directors of People's Insurance PLC aims to maintain the highest standards of effective corporate governance, integrity and ethics at all times.

Accordingly, the Company has voluntarily adopted the requirements stipulated in the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC) while endeavouring to comply with the rule numbers 7.6 and 7.10 of the Listing Rules issued on Corporate Governance by the Colombo Stock Exchange (CSE). Please refer pages 244 to 269 for details.

CONFORMANCE HIGHLIGHTS IN 2017

- Appointed three new Independent, Non-executive Directors to the Board
- Reconstituted the Board Audit Committee, Remuneration and Nomination Committee and Related Party Transactions Review Committee
- Reconstituted the Investment Committee and amended the Investment Committee Charter to be in line with the guidelines issued by the Insurance Regulatory Commission of Sri Lanka in 2017
- Appointed a Chief Executive Officer with the retirement of the former Managing Director
- Set up the internal audit function directly under the supervision of the Company instead as a shared function with the Group
- Appointed an Operations Management Committee, formally delegating authority to the Corporate Management to make decisions on matters pertaining to the operations of the Company
- Continued to assess the potential impact from the Risk Based Capital (RBC) regime from major business decisions

The corporate philosophy of People's Insurance is predominantly based on good governance and the conformance aspect of the governance process facilitates the value creation of the Company and its stakeholders. In the Company's pursuit of creating value and accumulating financial and non-financial wealth for its stakeholders, conformance governance plays the role of accountability, monitoring and control.

Since conformance governance also provides framework for attaining the Company's objectives, it encompasses every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure. PI's governance framework is based on three key pillars;

- Effective leadership right at the top
- Clearly defined governance structure
- Ethics culture

EFFECTIVE LEADERSHIP RIGHT AT THE TOP

The Board is responsible for directing, administering and controlling the affairs of the Company in a transparent, fair and responsible manner. The Board recognises its responsibility to shareholders, employees and the community to uphold high standards in managing economic, social, environmental and ethical matters and ensuring the Company conducts its activities according to best practices.

The Board is the highest decision making body and is ultimately responsible for governance and for providing ethical and effective leadership towards the execution of the Company's strategy. The Board of Directors sets the strategic objectives of the Company, determines its operational policies and performance criteria and delegates to the management for detailed planning and implementation of those objectives and policies in accordance with appropriate risk parameters. The Board is collectively responsible for the long-term success of the Company and is accountable to shareholders and other stakeholders for financial and operational performance.

GRI 105 - 01

CONFORMANCE GOVERNANCE

Right Balance in the Board

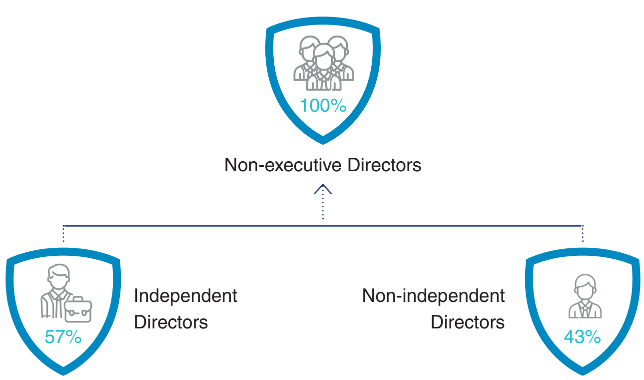
The Board comprises a mix of Non-executive, Non-independent Directors and Non-executive, Independent Directors, all of whom are experienced professionals who possess a wide variety of skills that complement each other. The collective background of the Board provides for a balanced mix of attributes and skills that enable the Board to fulfil its duties and responsibilities.

As of the reporting date, the Boardroom table was as follows;

Name	Date of first Appointment	Date of Last Re-election	Status	Expertise
Mr. Jehan P. Amaratunga	July 2010	June 2016	Non-executive, Non-independent Chairman	Expertise in finance, business management and business consultancy
Mr. N. Vasantha Kumar	May 2011	June 2017	Non-executive, Non-independent Director	Expertise in business and treasury management
Mr. Lakshman Abeysekera	October 2015	June 2017	Non-executive, Independent Director	Expertise in financial accounting
Mr. S. P. K. Gunarathne	January 2017	June 2017	Non-executive, Independent Director	Expertise in legal affairs, leadership and management
Mr. N. P. Karunarathne	January 2017	June 2017	Non-executive, Independent Director	Expertise in administration and management
Mr. W. M. Abeyrathna Bandara	January 2017	June 2017	Non-executive, Independent Director	Expertise in the field of leadership and strategic planning
Mr. A. S. Ibrahim	July 2017	N/A*	Non-executive, Non-independent Director	Expertise in corporate banking, treasury management, credit and risk management

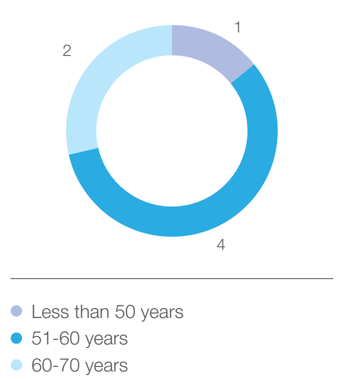
** Not applicable as the re-election will take place at the forthcoming AGM*

Independence/Non-independence of Non-executive Directors

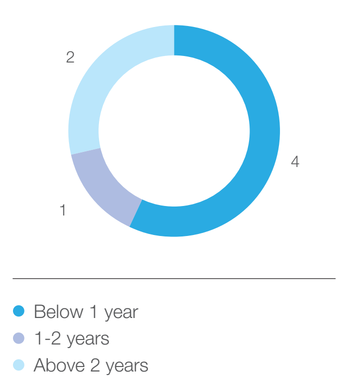


As at the reporting date, the Company does not have any Executive Directors on the Board.

AGE OF DIRECTORS



TENURE OF DIRECTORS



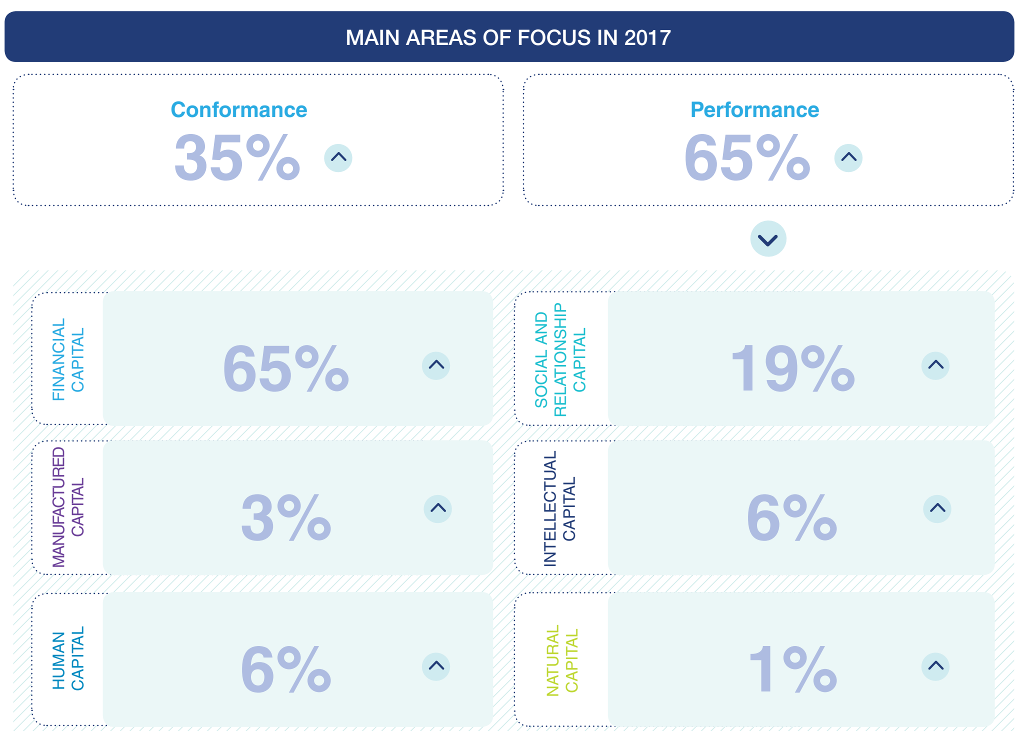
Changes to the Board Composition in 2017

Name	Nature of Change	Date	Status
Mr. S. P. K. Gunarathne	Appointment	January 2017	Non-executive, Independent Director
Mr. N. P. Karunarathne	Appointment	January 2017	Non-executive, Independent Director
Mr. W. M. Abeyrathna Bandara	Appointment	January 2017	Non-executive, Independent Director
Mr. D. P. Kumarage	Retirement	June 2017	Managing Director/Executive Director
Mr. A. S. Ibrahim	Appointment	July 2017	Non-executive, Non-independent Director

Effective Utilisation of Board Time

The Board meets on a monthly basis in order to direct and lead the Company towards realising its vision and when required, schedules special meetings to address ad-hoc issues that may become relevant from time to time.

In order to facilitate effective conduct of meetings, the agenda and papers required for the Board meetings are circulated well in advance. The Board spends a substantial amount of time in evaluating the Company's strategies along with identified risks and available opportunities 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 Regulatory Commission of Sri Lanka and its stringent regulations. The Board also discusses a wide variety of subjects depending on the circumstances. The main areas of focus for the year are categorised and presented below.



CONFORMANCE GOVERNANCE

PERFORMANCE

- Monthly management accounts and monthly and quarterly performance reviews
- Investment decisions and performance reviews
- Performance analysis of sales channels
- Business alliances
- Review of major claims
- Branding and advertising
- Approval of reinsurance arrangements, bank accounts, agreements with business partners, etc.
- Budget
- Interim and final dividends
- Employee remuneration, bonuses and other benefits
- Carbon footprint

CONFORMANCE

- Regulatory compliance report
- Approval for financial statements
- Internal audit plan
- Reconstitution of the Board Sub-committees
- Appointment of CEO
- Reconstitution of the Investment Committee
- Appointment of Operations Management Committee
- Change of the Principal Officer
- Amendments to the Manual of Delegation of Authority

ATTENDANCE AT BOARD MEETINGS HELD IN 2017

The Board usually meets on a monthly basis and additional Board meetings are held whenever it is necessary. The Company held 15 meetings during the year under review.

Name of Director	17-Jan	22-Feb	27-Mar	26-Apr	26-May	28-Jun	18-Jul	26-Jul	02-Aug	30-Aug	22-Sep	26-Oct	23-Nov	21-Dec	26-Dec
Mr. Jehan P. Amaratunga	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	X	✓	✓	✓	✓
Mr. N. Vasantha Kumar	✓	✓	✓	✓	✓	✓	✓	X	✓	✓	✓	✓	✓	✓	✓
Mr. D. P. Kumarage *	✓	X	X	✓	X	✓	-	-	-	-	-	-	-	-	-
Mr. Lakshman Abeysekera	✓	✓	✓	✓	✓	✓	✓	X	✓	✓	✓	✓	✓	✓	✓
Mr. S. P. K. Gunarathne **	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. N. P. Karunarathne **	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. W. M. Abeyrathna Bandara **	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. A. S. Ibrahim ***	-	-	-	-	-	-	✓	✓	✓	✓	✓	✓	✓	✓	X
Quorum	4/4	3/4	3/4	7/7	6/7	7/7	7/7	5/7	7/7	7/7	6/7	7/7	7/7	7/7	6/7
Executive/Non-executive presence	1/3	0/3	0/3	1/6	0/6	1/6	0/7	0/5	0/7	0/7	0/6	0/7	0/7	0/7	0/6
Independence/Non-independence presence	1/3	1/2	1/2	4/3	4/2	4/3	4/3	3/2	4/3	4/3	4/2	4/3	4/3	4/3	3/3

* Retired in June 2017
** Appointed in January with the approval of the IRCSL received in April 2017
*** Appointed in July 2017

Constructive Conduct and Effective Engagement of the Board

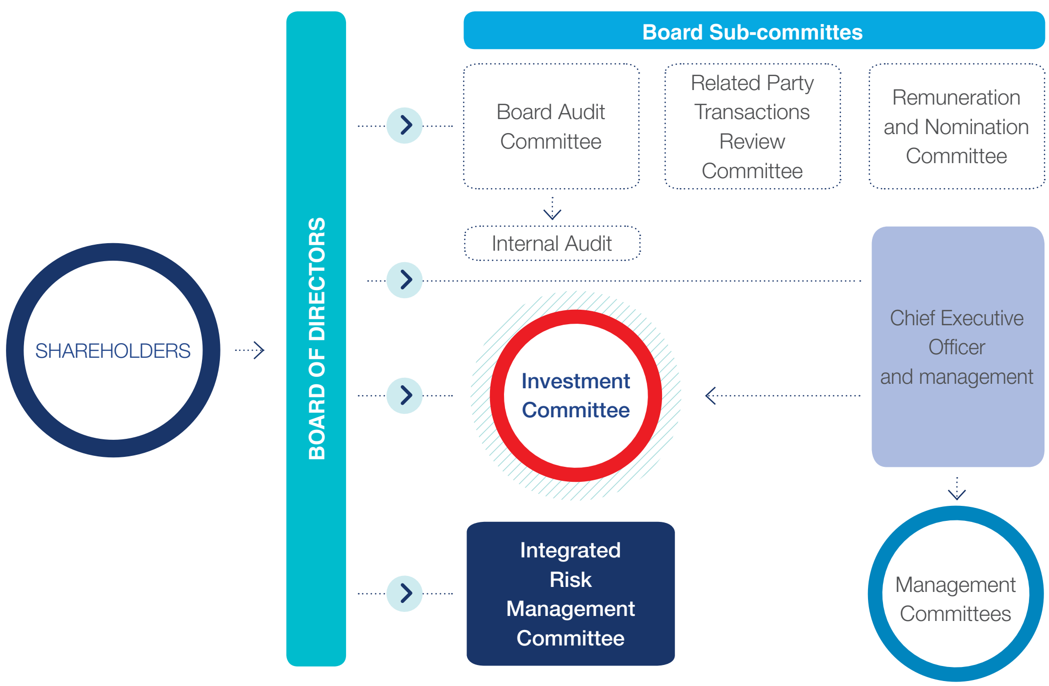
Before the Meeting	At the Meeting	After the Meeting
Advance scheduling of meetings	The Chairman encourages and facilitates constructive dialogue during Board meetings	Management discussions on areas of concerns raised at Board meetings
Carefully thought-out and flexible agenda	Board members come well prepared and engage in robust discussions on key matters	Follow-up by the committees of matters referred at Board meetings
The Chairman draws up the agenda in consultation with the Chief Executive Officer and the Company Secretary to ensure that there is sufficient information and time to address all agenda items	Provision of complete and comprehensive operational and financial performance updates from the management	Follow-up and preparation by the management of additional information/ material required by Directors
Ability of Directors to appoint an Alternate Director or participate in meetings through telephone or video conference	Availability of the CEO, Head of Operations and Head of Finance throughout the meetings to discuss specific areas, if required	Follow-up by Directors of matters arising from discussions at Board meetings
Directors have the discretion to engage external advisors	Regular updates on the impending market conditions, regulatory framework changes and other factors impacting the Company affairs	Minutes are circulated among the Board members by the Company Secretary
	Presence of the Company Secretary and other in-house professionals to ensure compliance with applicable rules and regulations in the decision-making	
	The Board Sub-committee Chairpersons provide detailed updates to the Board	

GRI 102 - 18

CONFORMANCE GOVERNANCE

Clearly Defined Governance Structure

Governance structure of People's Insurance allows effective and efficient decision-making through a robust 360^0 governance framework that combines the right balance of authority and power throughout the organisation. The governance framework comprises the process and structures, which affect the way in which the Company is directed, managed, monitored and its activities are reported.



Shareholders

As the top tier of the governance structure, shareholders' have the right to influence certain fundamental corporate changes, such as the election/removal of Board members, suggestions for amendments to the Company's Articles of Association, approval of major transactions, approval or election of auditors, distribution of profits and other basic issues as specified in the Companies Act.

PI encourages all shareholders to exercise their right to speak and vote at Annual General Meetings and continue to actively participate in the supervision and control of the Company.

Promotion of fair and equitable treatment of all shareholders is an essential part of PI's governance culture and as such, the Company remains committed at all times to respect and protect the rights of all shareholders. One of the main objectives of the Board of Directors is to represent, formulate and realise the interests and expectations of its shareholders. This includes creating value for shareholders by maintaining a satisfactory return on equity and healthy distribution of dividends and efficient and effective communication about the affairs of the Company.

Effective Engagement with Shareholders

All stakeholders are encouraged to have continuous dialogue with the management and the Board through an open door policy practiced in the Company. A number of formal channels are in place to provide shareholders with information on operations, financial standing and all material corporate developments. The Company maintains ongoing dialogue with institutional investors, brokers and financial analysts to collect required information in order to decide their perceived value of the Company. At the same time, the Board and the management strictly adhere to the statutory and ethical guidelines regarding their responsibility of maintaining confidentiality of price sensitive information.

Annual General Meeting

Since an Annual General Meeting (AGM) allows the shareholders to directly communicate with the Board of the Company, it is regarded as the most effective mode of communication with all shareholders. An AGM 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 8th Annual General Meeting of the Company was held on the 30th of June 2017.

Annual Report

The Company's Annual Report is the main document used to disclose corporate information to shareholders. The Annual Report contains mandatory financial information as well non-financial data. Non-financial data are mainly voluntary disclosures, which are over and above the regulatory disclosure requirements.

The Company's Annual Report was recognised locally as well as globally since its very first Annual Report issued in respect of 2012. The Company's most recent Annual Report was also recognised at the CMA Excellence in Integrated Reporting Awards, organised by the Institute of Certified Management Accountants of Sri Lanka (CMA) with the Best Integrated Report in Small and Medium Enterprises Sector and Certificate of Merit at the overall level, Silver Award at the 2016 Vision Awards annual report competition organised by the League of American Communication Professionals (LACP), USA and Certificate of Compliance at the annual report competition organised by the Institute of Chartered Accountants of Sri Lanka.

Further, quarterly financial statements, dividend declarations and other required information were sent to the CSE which were published on the Colombo Stock Exchange web site for the reference of all shareholders.

Corporate Website

PI's corporate website, www.peoplesinsurance.lk contains information of interest to both institutional and retail shareholders. In 2017, the corporate website was revamped with a new feedback mechanism, allowing all stakeholders to lobby their queries.

BOARD SUB-COMMITTEES

The Board has delegated certain responsibilities to Board Sub-committees to assist it in carrying out its functions and to ensure independent oversight of internal controls and risk management.

Board Audit Committee, Remuneration and Nomination Committee and Related Party Transactions Review Committee function as Board Sub-committees with Directors who possess the requisite qualification and experience.

	Board Audit Committee	Remuneration and Nomination Committee	Related Party Transactions Review Committee
Composition	Two Non-executive, Independent Directors One Non-executive, Non-independent Director	Two Non-executive, Independent Directors One Non-executive, Non-independent Director	Three Non-executive, Independent Directors
Chairman	Mr. Lakshman Abeysekara	Mr. Jehan P. Amaratunga	Mr. S. P. K. Gunarathne
Other members	Mr. N. Vasantha Kumar Mr. W. M. Abeyrathna Bandara	Mr. Lakshman Abeysekara Mr. S. P. K. Gunarathne	Mr. N. P. Karunarathne Mr. W. M. Abeyrathna Bandara
Invitees	CEO and Head of Finance	CEO	CEO and Corporate Management
Number of meetings held	3	3	1

CONFORMANCE GOVERNANCE

	Board Audit Committee	Remuneration and Nomination Committee	Related Party Transactions Review Committee
Main functions	• 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 stakeholders • Reviewing 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	• Responsibility for the remuneration policy and its specific application to the Executive Directors and Key Management Personnel (KMP) • Make recommendations to the Board on the remuneration and incentive framework of the Executive Directors and KMP on their remuneration and incentive awards • Evaluate the performance of the Executive Directors and KMP, management development plans and succession planning of the Company • Responsibility for formalising the strategic human resource policy • Ensure appropriate service contracts are available for the executive Directors and KMP • Determine the terms of any compensation package in the event of early termination of the contracts of any executive Directors or KMP • 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 say such appointment or reappointment	• 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 ongoing (recurrent related party transactions), the Committee shall establish guidelines for senior management to follow in its ongoing dealing 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

ATTENDANCE AT BOARD SUB-COMMITTEES

Board Audit Committee

Name of Director	Date of Appointment to the Committee	28-Jun	20-Jul	19-Oct
Mr. Lakshman Abeysekara	April 2017	✓	✓	✓
Mr. N. Vasantha Kumar	April 2017	✓	✓	✓
Mr. W. M. Abeyrathna Bandara	April 2017	✓	✓	X

Remuneration and Nomination Committee

Name of Director	Date of Appointment	26-May	23-Nov.	15-Dec.
Mr. Jehan P. Amaratunga	April 2017	✓	✓	✓
Mr. Lakshman Abeysekara	April 2017	✓	✓	✓
Mr. S. P. K. Gunarathne	April 2017	✓	✓	✓

Related Party Transactions Review Committee

Name of Director	Date of Appointment to the Committee	22-Sep.
Mr. S. P. K. Gunarathne	April 2017	✓
Mr. N. P. Karunarathne	April 2017	✓
Mr. W. M. Abeyrathna Bandara	April 2017	✓

CEO AND THE MANAGEMENT

Role of the CEO

The CEO is entrusted with the management of the Company's operations with decision-making authority and he is fully accountable to the Board. The CEO is responsible for making recommendations to the Board regarding the Company's strategy and its subsequent implementation, as well as to ensure that appropriate internal controls are in place to manage and assess risk and ensure that they are fully complied with. The Company is navigated by a well experienced and qualified CEO with proven track record in the field of marketing.

Management Team

The Company has an experienced management team, comprising individuals who are experts in their respective fields. The role of the management is to assist the CEO in implementing the strategies and recommending the best alternatives in pursuing the Company objectives.

The management is responsive and flexible and seeks to take proactive measures to improve the level of customer satisfaction in response to aggressive competitor moves.

MANAGEMENT COMMITTEES AND OTHER COMMITTEES

In order to make effective decisions in the management and effective implementation of strategies, management committees are established, including Operations Management Committee and working committees such as the Steering Committee for HR transformation based on the requirement of the Company. Further, the Investment Committee was reconstituted with more Board members to ensure the high quality decision making with regard to investments.

CONFORMANCE GOVERNANCE

INVESTMENT COMMITTEE	
Composition	Board members and management
Chairman	Mr. Jehan P. Amaratunga (Non-executive Chairman of the Board)
Other members	Mr. N. Vasantha Kumar (Non-executive, Non-independent Director) Mr. S. P. K. Gunarathne (Non-executive, Independent Director) Mr. A. S. Ibrahim (Non-executive, Non-independent Director) Mr. Deepal Abeysekera (CEO) Mr. Nilushan Somarathna (Head of Finance)
Invitees	Technical Consultant Manager - Finance Head of Investment Unit
Frequency of meetings	Once a quarter
Main functions	• Advice on formulation of investment strategy • Guidance on asset allocation of investment portfolio • Review of investment performance • Review of solvency and approved assets • Review of risk exposures • Review of compliance with internal and external investment regulations • Evaluation and granting of approval for investments

OPERATIONS MANAGEMENT COMMITTEE	
Composition	Management
Chairman	Not specified
Other members	Chief Executive Officer Technical Consultant Head of Insurance Operations Head of Finance Head of Human Resources and Administration Head of Sales and Marketing
Invitees	Any internal member
Frequency of meetings	Once a month
Main functions	• Decide on matters pertaining to the operations of the Company within the purview of the management and make recommendations to the Board of Directors if necessary • Decide on the basis for approval, for matters outside the scope of the Manual of Delegation of Authority and recommend to the Board, if necessary • Other non-investment matters

INTEGRATED RISK MANAGEMENT COMMITTEE

PI activities are overseen by the Integrated risk Management Committee of the Parent Company. Quarterly reports are submitted to the Integrated Risk Management Committee and CEO and Head of Finance are present at the meetings.

ETHICS CULTURE

Conformance governance culture within the Company essentially involves balancing the interests of a company's many stakeholders' such as shareholders, management and employees, customers, suppliers, the Government and large community.

The corporate culture of People's Insurance is built on mandatory compliance requirements as well as voluntarily adherence aspects, some of which are internally developed tools, while others are based on directives imposed by relevant regulatory authorities in order to protect the interest of the stakeholders. Assurance and certifications obtained from third parties on both mandatory and voluntary basis increases the credibility of governance system in place within the Company.

Good governance at People's Insurance encourages strict adherence to mandatory compliance requirements and voluntary adherence to the value adding compliance aspects.

Internally Developed

Mandatory Adherence

- Articles of Association
- Internal control system
- Risk management framework
- IT governance
- Manual of Delegation of Authority
- Procedure manuals
- Terms of reference of Board Sub-committees
- Terms of reference of management committees

Voluntary Adherence

- Whistle Blower Protection Policy
- Business Ethics Policy
- Code of Ethical Conduct for Office Staff
- Code of Ethical conduct for Sales persons

Assurance

Mandatory

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

Voluntary

- Certification on carbon footprint computation
- Assurance on the Sustainability Reporting Criteria
- ISO certification on IT system

Externally Imposed

Mandatory Adherence

- RII Act
- RBC regime
- Companies Act
- Consumer Affairs Authority Act
- SEC Act
- Listing Rules of CSE
- Motor Traffic Act
- Inland Revenue Act
- Anti Money Laundering Act
- Other Rules, Determinations, Regulations issued by the IRCSL

Voluntary Adherence

- Code of Best Practice on Corporate Governance
- GRI Guidelines on Sustainability
- Integrated Reporting Framework

CONFORMANCE GOVERNANCE

Internally Developed Tools Which Need to be Adhered on Mandatory Basis

Tool	Areas Covered	Approved/Issued by	Current Year Highlights
Articles of Association	• Business of the Company • Shares and share transactions of the Company • Meetings of shareholders • Directors • Accounts and audit • Liquidation • Other business related guidance	Shareholders of the Company by way of a special resolution	Fully adhered in all endeavours
Internal control system	• Effectiveness and efficiency of operations • Reliability of financial reporting • Compliance with applicable laws and regulations	Management	Approved the revised internal audit charter Established and updated the risk register
Risk management framework	• Risk identification • Risk appetite and risk tolerance level of the Company • Risk management culture of the Company • People's Insurance risk environment • Identified risk and controlling and mitigation measures • Organisational structure for managing and reporting risks Please refer the Risk Management report on pages 80 to 91.	Board of Directors	Initiated a review for updating
IT governance	• Well-established IT governance structure, having policies at the forefront • In an attempt to avoid risk of data loss, the Company maintains a back up-system where a separate back-up is maintained at an off-site location • Regular ISO audits are carried out to ensure the integrity of the system • Password and access control policies have been implemented to authenticate the user access and necessary validation and verification functions are activated at the information entry level • The Company has installed a fire protection-GSM controller and smoke detectors for heat detection at the server rooms and UPS rooms. • Biometrics controls have been installed for the entrances of the ICT department premises at the corporate office and have provided 24 hour security to the DR site • Logical controls such as Unified Threat Management (UTM), Sophos Endpoint Security and Control, IP-VAN are also implemented	Group ICT department	Awarded the ISO 27001:2005 certification by Det Norske Veritas (DNV) for conforming to the prestigious global benchmark of the ISO/IEC 27001:2005 Information Security Management System Standard.
Manual of Delegation of Authority (MDA)	• Acceptance of insurance risks • Admission of liability • Payments • Capital expenditure • Investments	Board of Directors	Initiated a review for updating the MDA

Tool	Areas Covered	Approved/Issued by	Current Year Highlights
Procedure manuals	• Underwriting • Claims • Reinsurance	Management	Reviewed and updated Underwriting, Claims and Reinsurance manuals
Terms of reference of Board Sub-committees	• Terms of reference of the Board Audit Committee • Terms of reference of Nomination and Remuneration Committee • Terms of reference of Related Party Transactions and Review Committee Please refer Board Sub-committee reports on pages 75 to 79.	Board of Directors	Reconstituted the Board Sub-committees in compliance with terms of reference of Board Sub-committees
Terms of reference of management committees	• Terms of reference of Investment Committee • Terms of reference of Operations Management Committee Please refer page 62 for details of the Operations Management Committee and the Investment Committee.	Board of Directors and management	Updated the terms of reference of the Investment Committee to be in line with guidelines issued by the IRCSL

Internally Developed Tools Which Need to be Adhered on Voluntary Basis

Tool	Areas Covered	Approved/Issued by	Current Year Highlights
Whistle Blower Protection Policy	Providing 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	Board of Directors	No such incidents were reported
Business conduct and ethics policy	• How to maintain compliance with laws and regulations • Honesty, fairness and diligence in conducting business • Financial strength • Disclosure of information for policyholders and potential policyholders • How to maintain relationships with business partners • How to maintain relationship with the community and public • Protection of the Company's information • Protection and proper use of the Company's assets • How to handle conflicts of interest • Safety, health of employees and work environment • Personal obligations • Resolution procedure and reporting of violations	Board of Directors	No material non-compliances were reported
Code of Ethical Conduct for Office Staff	• Standards of personal behaviour • Behaviour during work • Anti-money laundering • Improper payments • Communication and Information • Conflicts of interest • Raising matters of concern	Board of Directors	No material non-compliances were reported

CONFORMANCE GOVERNANCE

EXTERNALLY IMPOSED TOOLS WHICH ARE ADHERED ON MANDATORY BASIS

Listing Rules of the CSE

Please refer pages 266 to 269.

Risk Based Capital

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

RBC regime imposes the following main requiremnts;

1. Maintain the Capital Adequacy Ratio (CAR) at above 120% level
2. Maintain a Total Available Capital (TAC) of minimum of Rs. 500 million

The Company comfortably met the above two requirements during the year under review.

	CAR	TAC Rs. Mn
2017 Quarter 1	315%	2,795
2017 Quarter 2	331%	2,805
2017 Quarter 3	292%	2,631
2017 Quarter 4	319%	2,826

Laws and Regulations	Status of Compliance
Regulation of Insurance Industry Act	No any non-compliances were reported or fines were imposed during the year under review
Companies Act	
Consumer Affairs Authority Act	
Motor Traffic Act	
Inland Revenue Act	
Anti Money Laundering Act	

Externally Imposed Tools Which are Adhered on a Voluntarily Basis

The Company's level of compliance to the following external regulations and guidelines is presented in the succeeding sections of this report;

- Code of Best Practice on Corporate Governance issued jointly by the ICASL and SEC from pages 244 to 265.
- GRI Guidelines on Sustainability from pages 275 to 277.

Assurance

Assurance Tool	Frequency	Reference
Assurance on financial statements	Annual	Please refer page 155 of this report
Actuarial certification on IBNR provision	Quarterly/Annual	Please refer page 154 of this report
Internal audit	Ongoing	Please refer the Board Audit Committee Report on pages 75 to 76
ISO certification on carbon footprint computation	Annual	Please refer page 272 of this report
Assurance on Sustainability Reporting	Annual	Please refer pages 270 to 271 of this report

Internal Audit

An internal audit department has been established within the Company which functions under the policies established by the Board and the Board Audit Committee. The Internal Audit Charter gives internal auditors the 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 Board Audit Committee reviews the assignments conducted in accordance with the annual internal audit plan guided by the Committee.

If the necessity demands, special audit assignments are outsourced.

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 2017 have been audited by Messrs. Ernst & Young and they have issued an unqualified audit opinion in respect of the financial statements for the year.

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 154.

In to the Future

Main priority for 2018 is to work towards fully adopting the Code of Best Practice on Corporate Governance 2017 jointly issued by the ICASL and SEC. In this regard, the following initiatives have already been taken;

1. Provision of regular information to the Board and all the other relevant information timely
2. Encourage integrated reporting
3. Appointment of Senior Independent Director (SID) since the Chairman is not an Independent Director
4. Inclusion of the Nomination and Remuneration Committee Report in the Annual Report
5. Inclusion of the Business Model and stakeholder relationships in the Annual Report

While the Company has already taken the above initiatives, the focus, moving forward is to make ongoing improvements across the business to ensure the full compliance with the revised Code issued in 2017.

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

The details set out herein provide information required by Section 168 of the Companies Act No. 07 of 2007 ('Companies Act') to be set out in the Annual Report of the Board of Directors on the Affairs of the Company and are guided by 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 2017 of the Company and the Independent Auditor's Report thereon in compliance with the requirements of the Companies Act. People's Insurance PLC is an insurance company registered under the Regulation of Insurance Industry Act No. 43 of 2000 and is a public limited liability company incorporated in Sri Lanka on 22nd July 2009 under the Companies Act.

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

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

VISION, MISSION AND CORPORATE CONDUCT

The Company's vision and mission are provided on page 8. The Company's business activities have been carried out within the framework of the vision and mission statement, which reflects our commitment to the highest ethical standards and integrity as set out in the Code of Business Conduct and Ethics, and in conformity with the values of the Company stated on page 8 of this Report.

PRINCIPAL ACTIVITIES

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

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

COMPANY OWNERSHIP STRUCTURE

The details of the Company ownership structure is given on page 8 of this Annual Report.

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 28 to 31), Chief Executive Officer's Review (pages 32 to 35) and Performance Against Strategy (pages 93 to 148). These reports form an integral part of the Annual Report of the Board of Directors and together with the audited financial statements reflect the state of the affairs of the Company.

FUTURE DEVELOPMENTS

An overview of the future developments of the Company is presented in the Chairman's Message (pages 28 to 31, Chief Executive Officer's Review (pages 32 to 35) and Performance Against Strategy (pages 93 to 148).

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The financial statements duly signed by the Directors are provided on pages 156 to 241 and the Independent Auditor's Report on the financial statements is provided on page 155.

CHANGES IN ACCOUNTING POLICIES

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

SYSTEM OF INTERNAL CONTROLS

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

CORPORATE GOVERNANCE

The Board of Directors have placed emphasis on conforming to the best corporate governance practices and procedures. Accordingly, the Board has provided the necessary resources and installed appropriate processes and procedures in compliance with the relevant codes of best practice issued by the regulatory and professional bodies. The Board has ensured that the Company complied with the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka ('SEC') and the Institute of Chartered Accountants of Sri Lanka ('ICASL'). The measures taken in this regard and information to fulfil disclosure requirements of the above code, directions and the Listing Rules of the Colombo Stock Exchange ('CSE') are set out on pages 244 to 269 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 Sub-committees and Directors' attendance at meetings are given on pages 59 to 61.

RELATED PARTY TRANSACTIONS

The Directors have disclosed the transactions with related par ties 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 44 to the financial statements on pages 235 to 239 and form a part of the Annual Report of the Board of Directors. 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 on Related Party Transactions issued by the SEC and has complied with all disclosure requirements as per the Code.

REMUNERATION AND NOMINATION COMMITTEE

The details of the Remuneration and Nomination Committee are given on pages 78 to 79 of this Annual Report.

BOARD AUDIT COMMITTEE

All the members of the Board Audit Committee are Non-executive Directors. The Chief Executive Officer and Head of Finance attend the meetings by invitation. The report of the Board Audit Committee is given on pages 75 to 76.

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 80 to 91.

AUDITOR'S REPORT

Independent Auditor's Report on the financial statements is given on page 155.

TURNOVER

The Company underwrote an amount of Rs. 4,782 million in 2017 (Rs. 4,340 million in 2016) as gross written premium. Gross written premium for the year by major classes of business is given on page 172.

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

FINANCIAL RESULTS

The Company recorded a net profit of Rs. 773 million for the year. A synopsis of the Company's performance is presented below.

	2017 Rs. '000	2016 Rs. '000
Profit after taxation	773,085	657,997
Profit brought forward from previous year	1,287,639	899,641
Profit available for appropriation	2,064,724	1,557,638
Appropriations		
2nd Interim dividend paid in respect of previous year	(150,000)	-
Final dividend paid in respect of previous year	(50,000)	(120,000)
Interim dividend paid in respect of current year	(150,000)	(150,000)
Other comprehensive income	820	(5,625)
Un-appropriated profit carried forward	1,711,544	1,282,013

DIVIDENDS

An interim dividend of Rs. 0.75 per share was paid in September 2017 and second interim dividend of Rs. 1.00 per share was authorised in February 2018. The Directors also recommended a final dividend of Rs. 0.25 per share for the financial year ended 31st December 2017.

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 dividends and would ensure the compliance with the Solvency Test after the payment of the said second and final dividends as well. Accordingly, the Board of Directors provided the Statement of Solvency to the Auditors and obtained a certificate of solvency from the Auditors in respect of the first interim dividend paid and would obtain certificates of solvency from the Auditors in respect of the second and final dividends not yet paid, thereby strictly conforming to the above statutory provision.

PROVISION FOR TAXATION

The tax position of the Company is disclosed in Note 17 (pages 182 to 183) to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment are shown in Note 21 (pages 187 to 189).

RESERVES

The movement in reserves during the year is set out in the Statement of Changes in Equity on page 159.

INVESTMENTS

Details of investments held by the Company are disclosed in Note 23 (pages 192 to 200) 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 of the Company as at 31st December 2017 amounted to Rs. 1,350 million (Rs. 1,350 million in 2016).

SHARE INFORMATION

Information relating to earnings, dividends and net assets per share is given in the Five Year Summary on pages 285 to 286.

SUBSTANTIAL SHAREHOLDINGS

People's Leasing & Finance PLC held 75% of the ordinary voting shares as at 31st December 2017. The list of top 20 shareholders, number of shares held, percentage of their respective holding and the public holding percentage are given under the title, Shareholder Information on pages 278 to 282 of this Annual Report.

INFORMATION TO SHAREHOLDERS

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

BOARD OF DIRECTORS

Profiles

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

Resignations and Appointments

Mr. D. P. Kumarage, Executive Director tendered his resignation with effect from 30th June 2017 and Mr. A. S. Ibrahim was appointed to the Board of the Company as Non-executive, Non-independent Director on 1st July 2017.

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 44 on pages 235 to 239, under related party transactions.

Loans to Directors

The Company has not granted any loans to the Directors.

Directors' Interests in Shares

The Directors have disclosed to the Board their shareholding in the Company and any acquisitions or disposals thereof. The Directors' individual shareholding in the Company as at 31st December 2017 and 31st December 2016 are given below.

	NUMBER OF SHARES	
Name of Director	As at 31st December 2017	As at 31st December 2016
Jehan P. Amaratunga	-	-
N. Vasantha Kumar	-	-
D. P. Kumarage (Resigned on 30th June 2017)	-	125,000
Lakshman Abeysekera	-	-
W. M. Abeyrathna Bandara	-	-
N. P. Karunarathne	-	-
S. P. K. Gunarathne	-	-
A. S. Ibrahim	-	-

Remuneration to Directors

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

	2017 Rs. '000	2016 Rs. '000
Executive Directors' fees and emoluments	200	375
Non-executive, Non-independent Directors' fees and emoluments	2,150	600
Non-executive, Independent Directors' fees and emoluments	3,175	350
Total	**5,525**	**1,325**

Directors' Meetings

Details of Directors' meetings are presented on page 56.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the financial statements of the Company to reflect the true and fair view of the state of its affairs. The Directors are of the view that these financial statements have been prepared in conformity with the requirements of the 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 151 to 152 forms an integral part of this report.

RELATED PARTY TRANSACTIONS

There were no non-recurring related party transactions which exceed the lower of 10% of equity or 5% of the total assets of the Company for the year ended 31st December 2017. However, the Directors have disclosed the transactions that could be classified as recurring 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 44 on pages 235 to 239 to the financial statements.

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

DONATIONS

During the year under review, the Company made donations amounting to Rs. 632,376 (2016 - Rs. 574,500) in terms of the Resolution passed at the last Annual General Meeting. The corporate social responsibility initiatives of the Company are presented in 'Social and Relationship Capital' on pages 123 to 132 and 'Natural Capital' on pages 138 to 142.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company has complied with all applicable laws and regulations. A separate paper on regulatory compliance is submitted to the Board on a monthly basis. Further, the Company complies with the Financial Transaction Reporting Act No. 06 of 2006 and the Convention on the Suppression of Terrorist Financing Act No. 25 of 2005, by sending a monthly report to the Financial Intelligence Unit (FIU) of Central Bank of Sri Lanka (CBSL).

ENVIRONMENT

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

STATUTORY PAY MENTS

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

OUTSTANDING LITIGATIONS

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

EVENTS AFTER THE REPORTING DATE

Details of events after the reporting date are provided in Note 46 (page 240) 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 ICASL and SEC have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

AUDITORS

The Company's Auditors during the period under review were Messrs. Ernst & Young, Chartered Accountants. A sum of Rs. 1,775,000 (2016 - Rs. 1,707,865) was payable to them as audit fees during the year under review and a sum of Rs. 1,112,500 (2016 - Rs. 1,212,227) was payable by the Company for tax related services and other non-audit work performed. Based on the declaration from Messrs. Ernst & Young and as far as the Directors are aware, the auditors do not have any relationship or interest in the Company other than those disclosed in this paragraph.

APPOINTMENT OF AUDITORS

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

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at Block 02, Lavender Room, Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07, on 29th March 2018 at 3.30 p.m. The Notice of the Meeting relating to the 9th Annual General Meeting is given on page 299.

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

Jehan P. Amaratunga
Chairman

N. Vasantha Kumar
Director

Rohan Pathirage
Company Secretary

15th February 2018
Colombo

DIRECTORS' STATEMENT ON INTERNAL CONTROL

The Board of Directors ('the Board') presents this Report on internal control of People's Insurance PLC ('the Company') which is in line with 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 in 2013 and is in the process of incorporating the changes to the revised Code of Best Practice on Corporate Governance 2017.

RESPONSIBILITY OF THE BOARD

The Board is responsible for the design and effectiveness of the system of internal control of the Company in safeguarding the shareholders' investment and the Company's assets. However, such a system is designed to manage the Company's key areas of risk within an acceptable risk profile, rather than eliminating the risk of failure to achieve the policies and business objectives of the Company. Accordingly, the system of internal control 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.

ONGOING PROCESS

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

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

SYSTEM OF INTERNAL CONTROL

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

- Committees are instituted to assist the Board in ensuring the effectiveness of the Company's daily operations and that those are in accordance with the corporate strategies and annual budget as well as the policies and business directions that have been approved.
- The internal audit department checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any non-compliance. Audits are carried out on significant processes in accordance with the audit plan which is drawn based on the level of risk assessed and the same is reviewed and approved by the Board Audit Committee. Findings of the internal audits are submitted to the Board Audit Committee for review at periodic meetings.
- Certain reviews over internal controls are outsourced to specialised external professional firms, depending on the nature and complexity of the concerned areas.
- The Board Audit Committee of the Company reviews the outcome of the audits carried out on internal control systems, audits by regulatory authorities and management audits, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. Further, details of the activities carried out by the Board Audit Committee are presented in the Board Audit Committee Report on pages 75 to 76.
- In assessing the internal control system, the Company continued to review and update procedures and controls that are connected with significant accounts and disclosures of the financial statements of the Company. The internal audit department continues to verify the suitability of design and effectiveness of these procedures and controls on an ongoing basis.

DIRECTORS' STATEMENT ON INTERNAL CONTROL

CONFIRMATION STATEMENT

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

By order of the Board

Jehan P. Amaratunga
Chairman

N. Vasantha Kumar
Director

Lakshman Abeysekera
Chairman - Board Audit Committee

15th February 2018
Colombo

BOARD AUDIT COMMITTEE REPORT

The Charter of the Audit Committee ('the Committee') is to assist the Board of Directors in its general oversight responsibilities in relation to integrity of the financial reporting and disclosure, internal control and risk management systems, compliance with laws and regulations, whistleblowing and effectiveness of the functions relating to internal and external audits. The terms of reference of the Board Audit Committee stipulates the scope, roles and responsibilities. The Board Audit Committee is composed of three Non-executive Directors of whom two are independent.

COMPOSITION

The Board Audit Committee which is appointed by the Board of Directors consists of the following members whose brief profiles are given on pages 10 to 12 of this Annual Report.

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

The Committee is chaired by Mr. Lakshman Abeysekera who is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and Association of Accounting Technicians of Sri Lanka with over 25 years' experience in accounting, finance and management. The Committee was reconstituted in April 2017 with the appointment of Mr. W. M. Abeyrathna Bandara. The Board of Directors has satisfied themselves that the current members of the Board Audit Committee are collectively competent in the industry, financial matters and have recent and relevant experience which enable smooth functioning of the Committee.

CHARTER

The terms of reference are defined in the Charter of the Board Audit Committee and this is revisited every year with the concurrence of the Board of Directors.

MEETINGS

The proceedings of the Committee meetings are conducted in accordance with the terms of the Board Audit Committee. Meetings are held on a quarterly basis and the Chief Executive Officer, Technical Consultant and Head of Finance attend meetings by invitation. During the year, the Board Audit Committee met 3 times due to the reconstitution of the Committee in April 2017. However, all the audit functions were duly monitored by the Board Audit Committee Chairman until the Committee was reconstituted. The attendance details of the 3 meetings held during the year is presented in the table on page 61 of this Annual Report. Manager - Internal Audit, acts as the Secretary to the Board Audit Committee.

SCOPE OF WORK

The purpose of the Board Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities and to assist the Company's ability to continue as a going concern in the foreseeable future. The Committee has discharged its roles and responsibilities in the following manner:

I. Oversight responsibilities
   1. Overseeing the financial reporting and disclosure process.
      - Constantly assess the appropriateness of the financial reporting system in place that enables providing accurate, appropriate and timely information to the management, regulatory authority and shareholders.
      - Consider that the financial statements are prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS), Regulation of Insurance Industry Act, Companies Act and other related laws and regulations.
      - Review with management in significant accounting and reporting issues and developments in accounting standards and adoption of applicable changes.
      - Review quarterly and annual financial statements prior to publication.
   2. Monitoring the internal control processes and risk management process
      - Monitor the Company's internal controls and risk management systems and processes to ensure that those are operating effectively.
   3. Oversight of regulatory compliance, ethics, and whistleblowing policy
      - Review whether the conduct of the business is in compliance with applicable laws and regulations and policies of the Company by reviewing the compliance statements prepared by the management.
      - Review the procedure adopted in investigating and taking appropriate action on all reported concerns under the whistleblowing policy of the Company.

BOARD AUDIT COMMITTEE REPORT

4. Monitoring the audit function
    - Assess qualifications, expertise, performance, independence and quality of the work of the External Auditors and recommend to the Board of Directors for appointment, reappointment, removal and approving their remuneration.
    - Assess independence and objectivity of the internal and external audit functions.
    - Monitor the performance and effectiveness of the internal and external audit function.
    - Review and authorise the internal audit plan and conduct periodical review of the Internal Audit Charter.
    - Review the external audit plan, methodology and practices adopted to ensure quality control and assurance.
    - Review audit reports, management letters and necessary follow-up actions adopted by the management.

II. Assessing the Company's ability to continue as going concern
- Instruct, monitor and guide the performance of the internal audit function.
- Identify, monitor and manage significant business and financial risks.
- Assess the independence and performance of the external audit.

INTERNAL AUDIT

The Board Audit Committee monitors the effectiveness of internal audit function by reviewing the adequacy of the audit coverage, functions, independence and resource needs of the internal audit department.

EXTERNAL AUDIT

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

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

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

The Committee also reviews audited financial statements, letter of representation issued to the External Auditors and the External Auditors' management letter and management response thereto.

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. Concerns raised are investigated by the Company and overseen by the Board Audit Committee and the identity of the person raising the concern is kept confidential, as even anonymous complaints are looked at.

CONCLUSION

The Board Audit Committee is satisfied that internal controls and the procedure in place for assessing and managing risk are adequately designed and operate effectively and are of the view that they provide reasonable assurance that the Company's assets are safeguarded; and that the financial statements are reliable.

Lakshman Abeysekera
Chairman – Board Audit Committee

15th February 2018
Colombo

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Related Party Transactions Review Committee ('the Committee') of People's Insurance PLC ('the Company') was set up in October 2015 in compliance with the Code of Best Practices on the Related Party Transactions and the Listing Rules of the Colombo Stock Exchange.

COMPOSITION

As at 31st December 2017, the Committee comprises the following Directors whose profiles are given on pages 10 to 12.

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

MEETINGS AND ACTIVITIES

The proceedings of the Committee meetings which mainly include activities under its mandate are reported to the Board of Directors.

Whilst the Committee is expected to meet at least once in a calendar quarter, due to reconstitution of the Committee during the year under review, the Committee held one meeting. Nevertheless, the Board of Directors continuously monitors that the transactions entered into with related parties are carried out at arm's length

As such, during the year, there has not been any transaction that required reporting and approval of the Board of Directors.

The duties and the role of the Committee as set out in the Terms of Reference of the Committee approved by the Board of Directors consist of the following:

- 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 transactions require the approval of the Board or shareholders of the Company as determined in Rule 13 of the Code of Best Practices on Related Party Transactions 2013, and if necessary forward the same for their approval.
- If related party transactions are ongoing, the Committee shall establish guidelines for senior management to follow in its ongoing dealings with the relevant related party. Thereafter, the Committee on an annual basis shall review and assess ongoing relationships with the related party to see that they are in compliance with the Committee's guidelines and that the related party transactions remain appropriate.
- Ensure that no Director of the company shall participate in any discussion of a proposed related party transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the related party transaction to the Committee.
- If there is any potential conflict in any related party transaction, the Committee may recommend the creation of a special committee to review and approve the proposed related party transaction.
- Ensure that immediate market disclosures and disclosures in the Annual Report as required by the Code of Best Practices on Related Party Transactions- December 2013 are made in a timely and detailed manner.

DECLARATION

Related party transactions that took place during the year in terms of the Sri Lanka Accounting Standards are disclosed in the financial statements and have been approved by the Board of Directors. It may also be noted that there were no related party transactions that occurred during the financial year under review which required approval of the shareholders of the Company as determined in Rule 13 of the Code of Best Practices on Related Party Transactions. Please refer the Annual Report of the Board of Directors on the Affairs of the Company, page 72 for the declaration made by the Board of Directors, confirming that no related party transaction falling within the ambit of the Listing Rules which required an immediate market disclosure was entered into by the Company during year ended 31st December 2017.

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

15th February 2018
Colombo

REMUNERATION AND NOMINATION COMMITTEE REPORT

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

COMPOSITION AND COMMITTEE MEETINGS

The Remuneration and Nomination Committee comprised the following Non-executive Directors as at 31st December 2017, whose brief profiles are given on pages 10 to 12 of this Annual Report.

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

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

The proceedings of the Committee meetings which mainly include activities under its mandate are regularly circulated among all Directors of the Board. CEO attends meetings of the Committee by invitation, other than in instances where matters relating to him are discussed. The CEO reports to the Committee on the changes in salary structures and terms of the KMP below the main Board, if any.

During the year, the Committee conducted three meetings for which all members of the Committee were present. Details pertaining to the attendance are provided on page 61 of this Annual Report.

ROLES AND RESPONSIBILITIES

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

Nomination related responsibilities are as follows:

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

Remuneration related responsibilities are as follows:

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

REWARD STRATEGY

Our reward strategies and remuneration structure is designed to attract, motivate and retain high-calibre people, at all levels of the organisation, in a highly competitive environment. Accordingly, a key feature of our remuneration policy is pay for performance. The skills, experience of the individual and his/her level of responsibility are also taken into account in deciding on the remuneration.

REMUNERATION PRINCIPLES

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

- To provide single or multiple levels of recognition based on the individual and team based contributions.
- To improve employee productivity, efficiency and quality of work.
- To maintain high standards of customer service.

AUTHORITY

The Committee has the authority to discuss issues relating to remuneration and nomination and report to the Board with recommendations, enabling the Board to take a final decision on the matter.

The Committee is authorised by the Board to seek appropriate professional advice inside and outside the Company as and when it considers this necessary. Accordingly, the following initiatives have been taken by the management with the recommendation of the Remuneration and Nomination Committee and approval of the Board.

Initiatives in 2017	
Appointment of CEO	With the retirement of Mr. D. P. Kumarage who was the Managing Director of People's Insurance PLC, it was imperative to appoint a CEO due to the rapid expansion of business in the non-life insurance industry and the Company's growth. The CEO was appointed to be overall in charge of the management and operations of the Company and acts as the main point of communication between the Board of Directors and corporate decisions.
Salary survey	Review of the overall salary structure of the Company to align with the industry salary scale.
Organisational structure	Completion of the review of the organisation structure with a view of re-aligning the cadre requirement to cater to the demands of the current business of the Company.

EVALUATION OF THE COMMITTEE

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

Details of the annual assessment of the Directors can be found on page 253 of this Annual Report.

DIRECTORS' COMPENSATION

Compensations paid to the Board of Directors are specified on page 182 of this Annual Report.

Jehan P. Amaratunga
Chairman - Remuneration and Nomination Committee

15th February 2018
Colombo

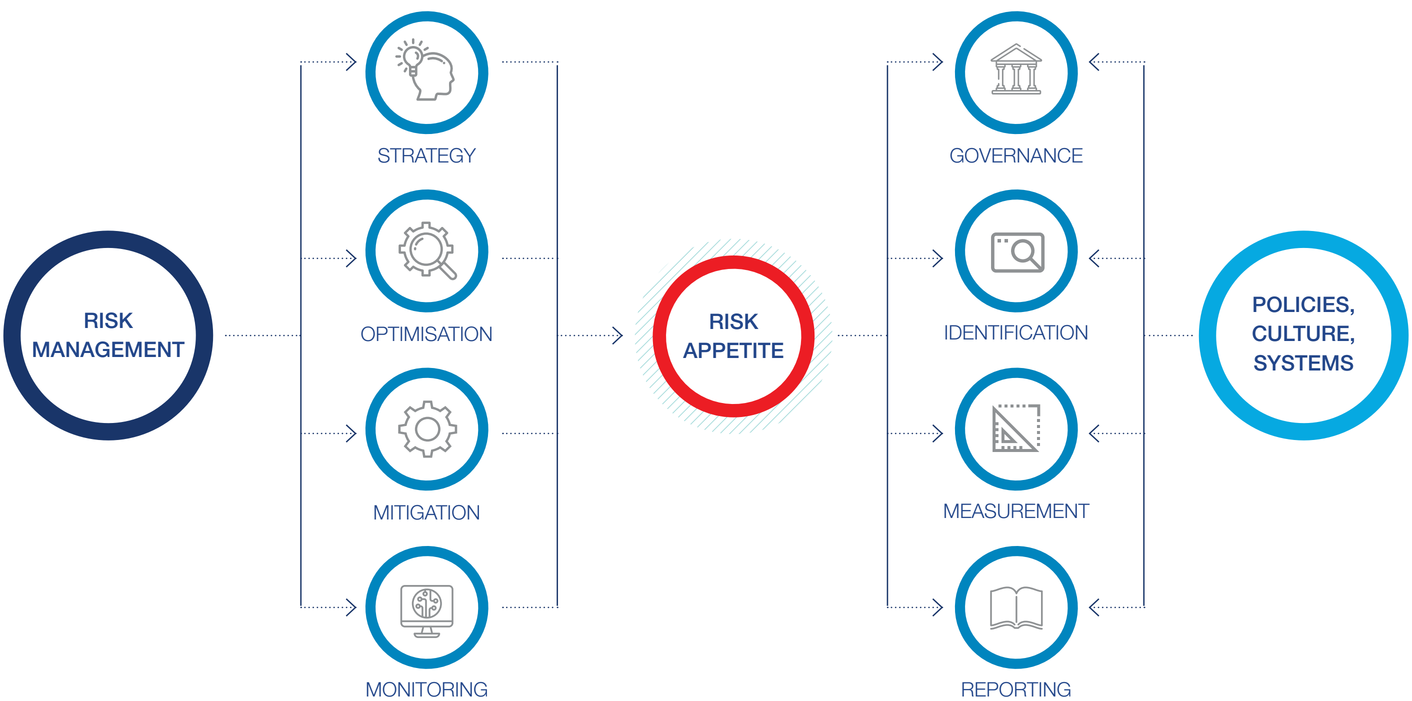
ENTERPRISE RISK MANAGEMENT

INTRODUCTION AND OVERVIEW

Risk management is the identification, evaluation, and prioritisation of risks followed by coordinated and economical application of resources to minimise, monitor and control the probability or impact of unfortunate events or to maximise the realisation of opportunities. Risk management's objective is to assure uncertainty does not deflect the endeavour from the business goals.

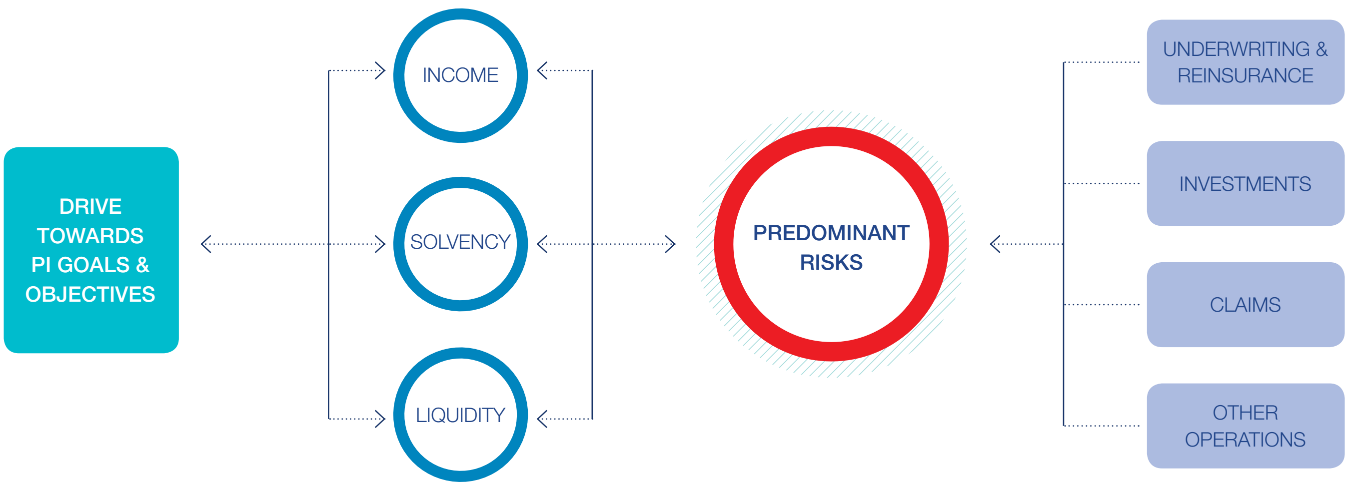
Enterprise Risk Management (ERM) is a process where the Board of Directors, management and other personnel, set and apply strategy across the organisation to identify potential events that may impact the entity, and manage these risks within its risk appetite to provide reasonable assurance on achieving the corporate's objectives. A successful 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 is the key driver in creating value to all stakeholders.

ENTERPRISE RISK MANAGEMENT FRAMEWORK



We firmly believe that risk management is a proactive process rather than a reactive process. We encourage an integrated risk management culture within our company by keeping everyone concerned, aware and accountable of the risks that they may bring into the Company with their actions. This is particularly important for us as an insurer which is in the business of covering risks of others. We consider a number of factors, many of which can have a significant strategic impact. These range from marketing position, changing consumer demand to strategic investments, stakeholder communications and investor relations. Often, these risks tend to prompt management to focus on what could go wrong.

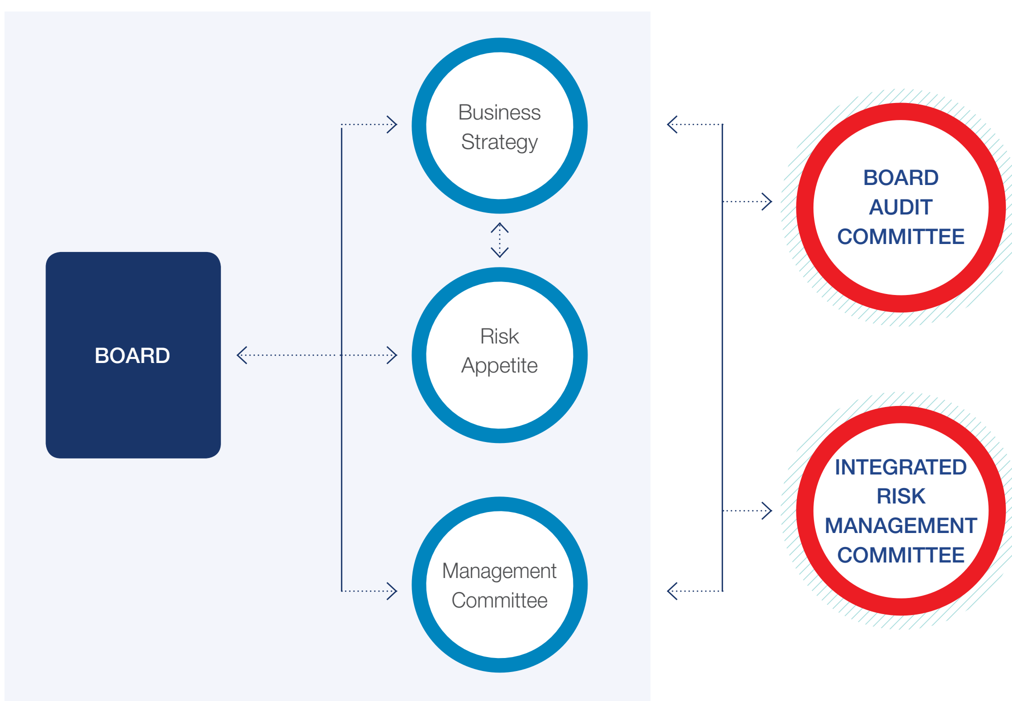
RISK APPETITE OF THE COMPANY



RISK GOVERNANCE

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

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

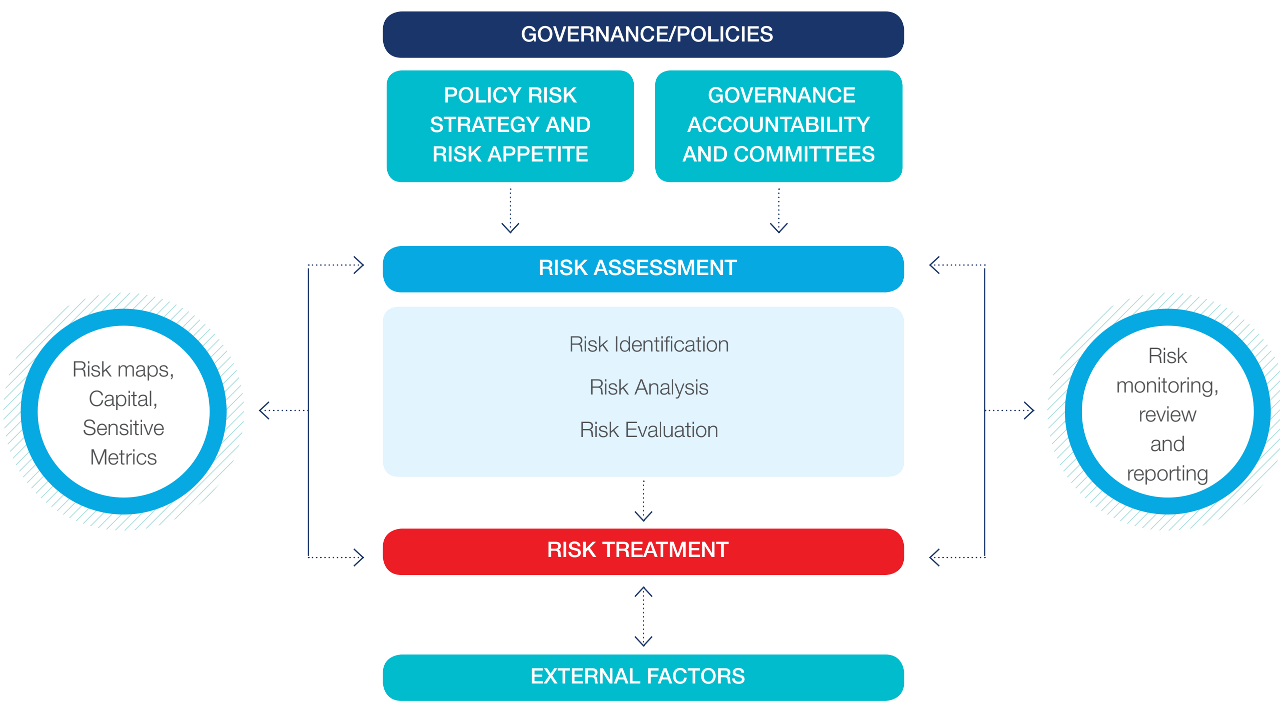


ENTERPRISE RISK MANAGEMENT

Our enterprise risk management committee represented by the management is responsible for assessing, measuring and managing the risk exposure of our organisation. In addition, our risks are assessed and monitored at the group level, by the Integrated Risk Management Committee of our 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

Our risk management process is diagrammatically presented below;



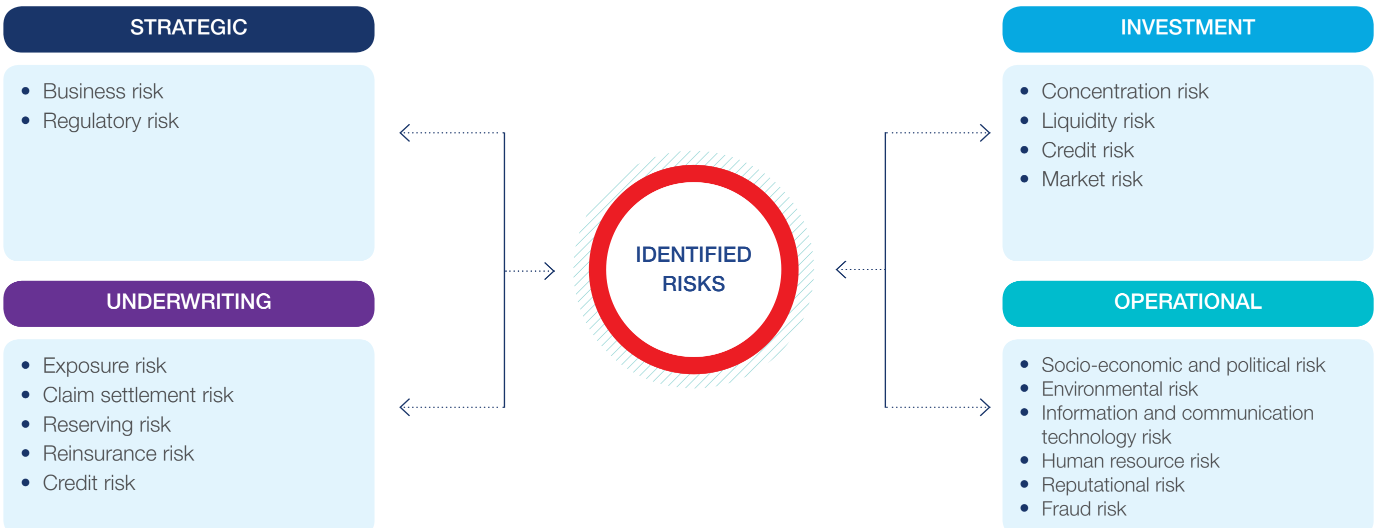
RISK ASSESSMENT

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

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

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

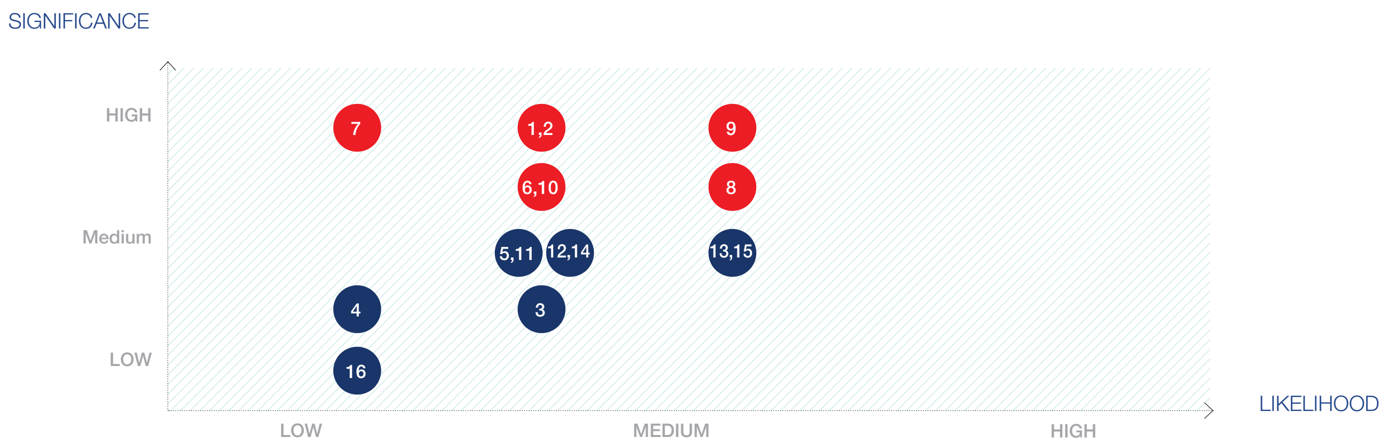
The general risk exposure of our organisation as an insurance entity is diagrammatically presented below.

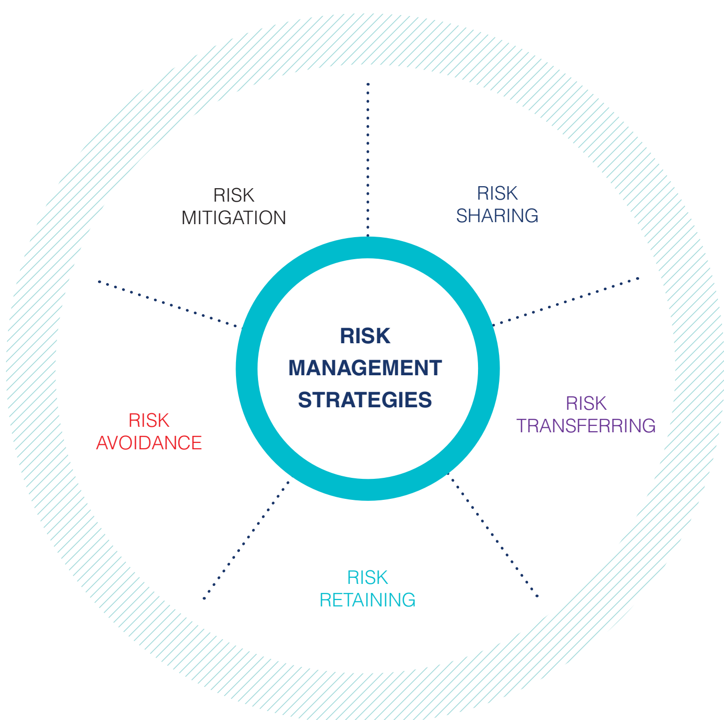


Our risk analysis and evaluation on the significance and likelihood are illustrated as follows;

	SIGNIFICANCE			LIKELIHOOD		
Risk Category	High (5)	Medium (4-2)	Low (1)	High (5)	Medium (4-2)	Low (1)
1) Business risk	5				2	
2) Exposure risk	5				2	
3) Fraud risk		2			2	
4) Reinsurance risk		2				1
5) Liquidity risk		3			2	
6) Reputational risk		4			2	
7) IT risk	5					1
8) Concentration risk		4			3	
9) Regulatory risk	5				3	
10) Socio-economic and political risk		4			2	
11) Credit risk		3			2	
12) Reserving risk		3			2	
13) Market risk		3			3	
14) Claims settlement risk		3			2	
15) Human resource risk		3			3	
16) Environmental risk		2				1

ENTERPRISE RISK MANAGEMENT





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

The key strategies followed to manage our risks are:

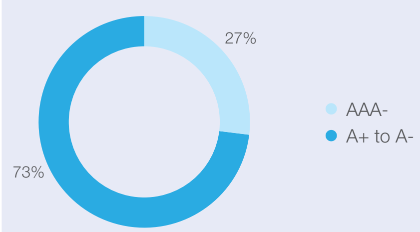
- Reducing risks through strong internal controls
- Risk transferring
- Risk sharing
- Avoiding risks by being selective in choosing options, where possible
- Retaining risks either to minimise cost on reducing risks or gain a higher profit by taking on more risk

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. We monitor the risks quarterly by way of a risk dashboard presented to the Integrated Risk Management Committee and it is communicated to our Board, if there is a major impact on our operations.

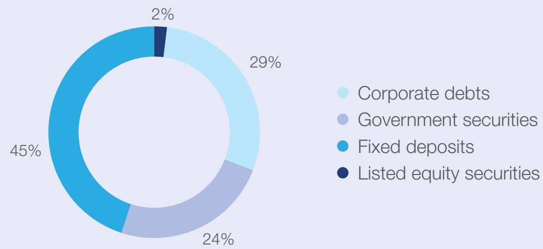
A summary of the controls that have been adopted and implemented to manage risks that are generally faced by insurance companies is given in the following table.

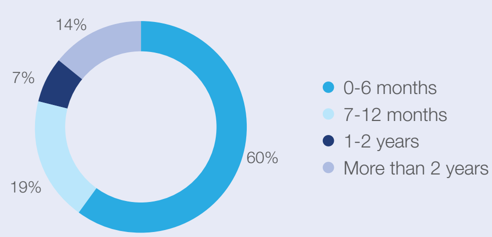
Risk	Controls
Strategic Risks	
Business Risk This relates to poor strategic business decisions. Business risk may arise if the corporate strategy is not compatible with the market and customer expectations, or with socio economic/political parameters.	• The Company's budget is approved by the Board on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

ENTERPRISE RISK MANAGEMENT

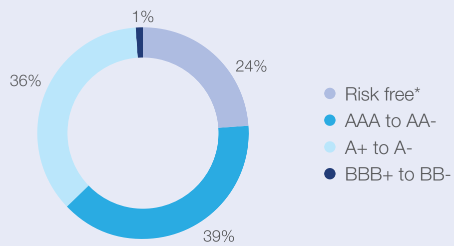
Risk	Controls
Claim Settlement Risk This refers to the risk of possible disputes which may arise at the time of settling claims.	• Customers are advised on adequacy of sum insured and covers, deductibles, special terms and conditions, etc. • Claims Manual is available and updated on a periodic basis. • Claims handling staff cross check policy conditions, covers, sum insured and other underwriting details with available information on the claim. • Segregation of duties is in place with regard to claims payment function. • Claim payments are recommended and approved based on pre-defined authority limits. • Information is cross checked from various sources.
Reserving Risk This risk refers to unexpected or un budgeted increases in claims, emanating from business written prior to the current underwriting year.	• 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. • An independent, professional actuary is in place for valuation of Incurred But Not Reported (IBNR) and Incurred But Not Enough Reported (IBNER) claims provision and valuations are obtained from the actuary on a quarterly basis.
Reinsurance Risk This refers to the risk of inadequate transfer of underwriting risks to reinsurers and the inability to meet their commitments due to insufficient financial stability.	• Reinsurance is obtained from ‘A’ or above rated reinsurers and from the National Insurance Trust Fund (NITF). • Reinsurance panel is approved by the Board on an annual basis. • Reinsurer ratings are reviewed on a periodic basis and appropriate measures are taken accordingly. Reinsurance receivable as at 31st December 2017 by rating is illustrated below. 
Credit Risk This arises when the customers or intermediaries do not settle their dues as per the contractual obligations to the Company.	• Customers are informed on a regular basis regarding the premium warranty clause. • Credit is granted as per the Board approved credit policy. • Outstanding premiums are followed up on an ongoing basis. Policies which are not settled within a reasonable time period are cancelled on a regular basis. • Outstanding premiums are checked before settling claims. • A provisioning policy has been implemented for long outstanding premiums.

Risk	Controls
Investment Risks	
Concentration Risk This refers to the risk arising from the lack of diversification, investing too heavily in one industry, one geographic area, or one type of security.	• The Board reviews the Company's investment portfolio on a monthly basis. • A stringent process is in place to monitor the single investment exposure limits at entity level and group level prescribed by the Insurance Regulatory Commission of Sri Lanka (IRCSL). • A significant amount of total investments is made in government securities which are considered risk free. • A careful analysis is done before investing in equity investments. The composition of the Company's investment portfolio as at 31st December 2017 is given below;
Liquidity Risk This arises when a security or asset cannot be traded in the market on time to prevent or minimise a loss.	• Investment durations are diversified depending on the cash flow needs of the Company. • Cash flow analysis is done prior to investments are made. • Maturity periods of the investments are regularly reviewed. Maturity analysis of government securities, corporate debt and fixed deposits as at 31st December 2017 is given below.





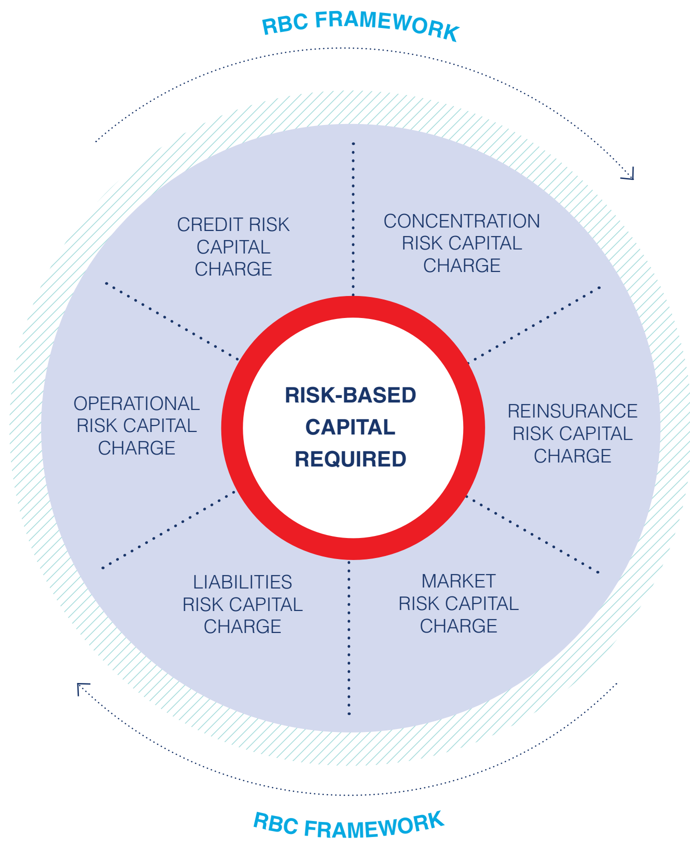
ENTERPRISE RISK MANAGEMENT

Risk	Controls
Credit Risk This refers to the potential that a borrower or counter party will fail to meet its obligations in accordance with the agreed terms.	• Credit rating of the respective investee or issue is evaluated prior to investing. • A stringent process is in place to monitor the single investment exposure limits prescribed by the Insurance Regulatory Commission of Sri Lanka. Analysis of investments in government securities, fixed deposits and corporate debts with credit ratings of the investees as at 31st December 2017 is given below.  * Government securities were assumed to be credit risk free instruments
Market Risk This refers to the risk of losing value of investments due to adverse movement in asset prices.	• Investment decisions are based on fundamentals rather than on speculation. • The investment portfolio is reviewed by the Board on a monthly basis.
Operational Risks	
Socio-economic and Political Risk This refers to the negative impact on operations due to changes in the socio economic and political environment and the investment climate.	• 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.
Environmental Risk This refers to actual or potential adverse impacts on operations and product responsibility with respect to emissions, waste and resource depletion.	• 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.

Risk	Controls
Information and Communication Technology (ICT) Risk This refers to the risk of failures or breakdowns of systems resulting in interruption to operations and loss or exploitation of data.	• 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.
Human Resource Risk This risk relates to high staff turnover especially of competent staff or shortage of qualified personnel.	• Conduct periodic performance appraisals of staff and reward accordingly. • Bonus payments are made based on performance and years of experience/service. • Provide financial assistance to staff for their higher studies. • Employees are given the opportunity to meet their senior managers at any time to discuss work related matters. • Employees are provided with in-house or external training in view of improving their skills.
Reputational Risk This risk arises when an event or incident could damage the image of the Company	• Internal controls are in place, which are regularly reviewed by the internal and external auditors. Any shortcomings are reported and followed up by the Board Audit Committee. • Company officials closely work with regulators, other insurance companies, etc. to ensure that regulatory requirements are fully understood and complied with. • A process is in place to ensure the compliance with relevant laws and regulations.
Fraud Risk This refers to the risk of not having a sound internal control system to avoid misappropriation of assets or fraudulent financial reports.	• Internal audits are regularly carried out in the areas which are susceptible to fraud. • Authority limits, segregation of duties and access controls have been implemented for all critical functions. • A whistle blowing procedure is in place where any employee who suspects wrong doing at work can report his/her concerns directly to the Board Audit Committee. • Remedial actions are immediately taken once a fraud is detected. • Zero tolerance policy is in place with regard to frauds and misappropriation.

ENTERPRISE RISK MANAGEMENT

RISK-BASED CAPITAL REGIME



A risk - based minimum capital regime developed by the IRCSL for the insurance industry was implemented with effect from 1st January 2016.

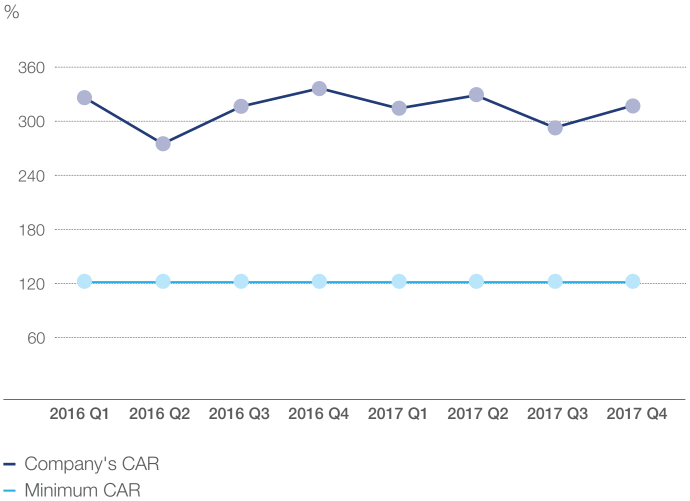
A risk- based capital methodology measures the amount of available capital relative to the risks inherent in the liabilities, and the assets supporting those liabilities, and the adequacy of capital to absorb unforeseen losses. A risk - based formula includes factors such as credit, market, liability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

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

RISK-BASED CAPITAL POSITION

	2017				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total Available Capital (TAC) (Rs.'000)	2,794,933	2,805,313	2,631,129	2,825,708	2,492,561	2,602,056	2,625,950	2,782,250
Risk Based Capital requirement (RCR) (Rs.'000)	886,177	848,598	900,910	884,562	757,995	954,573	828,242	819,580
Risk - Based Capital Adequacy Ratio (CAR)	315%	331%	292%	319%	329%	273%	317%	339%
Minimum Capital Adequacy Ratio	120%	120%	120%	120%	120%	120%	120%	120%
Minimum Capital Requirement (MCR) (Rs.'000)	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000

RISK-BASED CAPITAL POSITION



PERFORMANCE AGAINST STRATEGY

Driving the Business

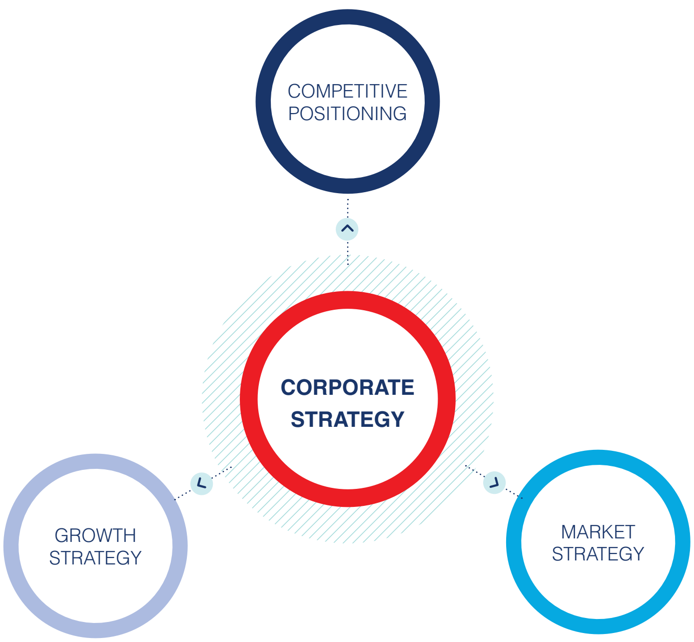
We strike while the iron is hot and take on challenges with vigor and enthusiasm

STRATEGY

CORPORATE STRATEGY

Being a part of the 'People's' Group over the years, PI has relied heavily on the captive business generated by the immediate parent - People's Leasing & Finance PLC and the ultimate parent - People's Bank. However, to further increase our market share, we have begun working towards expanding non-captive business as well. This has called for a broad ranging strategy to respond effectively to the rapidly evolving needs of our customers and to be able to grow in a highly challenging and competitive operating environment.

To achieve our objectives, we have identified three priority areas;



Competitive Positioning

With most all non-life insurance companies in Sri Lanka offering similar products, price competition in the industry continues to be fierce.

PI has since the inception has maintained pricing discipline which has been a critical success factor for the Company. As such, we remain committed to maintain pricing discipline, while making specific adjustments depending on risk applicability. At the same time, we are also looking at differentiation as a strategy to stay ahead of peers and enhance competitive positioning in the market. We strive to differentiate our offerings by;

- Offering greatest possible customer convenience e.g. in the motor class, PI customers can simply contact the call centre to report an accident. They are not required to wait at the accident site until the assessor arrives. This feature has proven to be a key differentiator that has led to a higher customer retention ratio.
- Leveraging on the brand equity and financial stability of our immediate parent - People's Leasing & Finance PLC as well as the ultimate parent – People's Bank, to build customer confidence.
- Ensuring fair and efficient claim settlement to strengthen our reputation in keeping with the Company's vision – 'To be appreciated for building lasting trust based on strength, stability and sustainability'

Marketing Strategy

The purpose of our marketing strategy is to expand PI's share of the market. In doing so however, we have traditionally focused on a low-cost operating model that would ensure definitive advantage through cost leadership. Having conducted a SWOT analysis to help determine the way forward, we have adopted a marketing strategy that focuses on;

- Market penetration - Since PI is in the initial stages of canvassing direct businesses, there exists a strong potential market penetration. The direct sales force, under the national sales unit, corporate and broker business development unit and bancassurance unit have been appointed as the key drivers of our market penetration strategy.
- Product development – Being in the non-life insurance business, many of the key products are more or less standard. However, in order to expand our market share, we have heavily invested in developing new products, as well as value additions and service enhancements to boost the profile of existing products. With recent trends towards digital solutions, our recent focus has been mainly on developing web-based products and online solutions that would benefit the customer in terms of easy access and efficient transactions.

STRATEGY

- Market development – At present, our market development activities are driven mainly by national sales unit PI has appointed a team of marketers to canvass retail businesses in the market. In line with our low-cost operating model, we do not maintain dedicated branches, as such these marketers are based at window offices set up at 99 PLC branches across the island. Through this strategy, PI's marketers are able to reach a broader cross section of the retail market in all provinces across the country, which is a significant competitive edge. We are in the process of developing the following channels;
  - Corporate and broker business - Many large corporates place their insurance through brokers. However, profitability of this channel is considered low, given the high bargaining power of brokers in this segment. Low premiums coupled with more favourable conditions to customers and high marketing costs to retain broker businesses have caused limited profitability. However, given the large chunk of the market, PI is taking steps to develop this channel specifically to tap into large corporate business segment.
  - Bancassurance - PI has signed up with People's Bank to secure a portion of the insurance businesses channelled through People's Bank and is in the process of negotiating similar agreements with other leading commercial banks.

Growth Strategy

Given that PI is a relatively new player in the market, our underlying strategy is to grow organically vis-à-vis the marketing strategy outlined above. Group synergies also provide a considerable boost to support our organic growth strategy. Moreover, our unique operating model, low cost of distribution model and distinctive corporate culture are fully geared to support this.

BUSINESS AND OPERATIONAL PRIORITIES FOR 2017

Stemming from our corporate strategy, in 2017, we identified six core business and operational priorities, to provide greater clarity regarding the actions we need to pursue during the course of our day-to-day work.

KEY PRIORITY	CORE FOCUS	STRATEGIC DRIVERS	CAPITAL INPUT
TOP-LINE GROWTH	Consolidate the captive market through parent entities, whilst increasing the market share in direct business through focused positioning and strategic distribution	Underwriting and financial discipline to optimise pricing by striking a balance between risk and return. Strengthen relationships with insurance brokers, insurance agents, etc.	Financial Capital (pages 101 to 110) Enterprise Risk Management (pages 80 to 91) Social and Relationship Capital (Business Partners on pages 128 to 130)
DELIVERY AND DISTRIBUTION	Increase outreach	Window offices Regional office network Call centre Customer communication	Manufactured Capital (pages 111 to 113) Social and Relationship Capital (Customers on pages 124 to 127)
EMPLOYEE DEVELOPMENT	Recruit, develop and retain the best in-class expertise in the industry	Recruitment Compensation and benefits Rewards and recognition Training Work-life balance IT framework	Human Capital (pages 114 to 122) Intellectual Capital (pages 133 to 137)
BEST IN-CLASS CUSTOMER EXPERIENCE	Understand customer needs and provide customised solutions to meet their needs	Comprehensive product portfolio Competitive pricing and efficient claim management Extensive value additions Convenient access Customer communication Complaint management Market responsive IT system Sustainability Charter	Social and Relationship Capital (Customers on pages 124 to 127) Intellectual Capital (pages 133 to 137)
BRAND EQUITY	Increase visibility and reinforce brand strength	Brand guidelines Group synergies	Intellectual Capital (pages 133 to 137)
GOVERNANCE COMPLIANCE AND RISK MANAGEMENT	Uphold best practices in governance and comply with the regulatory requirements along with firmer internal controls and risk management.	Code of Ethics World-class IT systems Companies Act IRCSL regulations Code of Best Practice on Corporate Governance	Intellectual Capital (pages 133 to 137) Conformance Governance Report (pages 52 to 67) Enterprise Risk Management Report (pages 80 to 91)

RESOURCE ALLOCATION

As an insurer, we have determined five key business pillars that drive our business, namely; Underwriting, Claims, Reinsurance, Investments and Support Services. If these business pillars are to fulfil their target deliverables, it is imperative that they have access to adequate resources to carry out their mandate.

Accordingly, an annual review is conducted, in conjunction with our plans, to ensure all units are properly resourced.

In the following diagram, it is plotted all key business pillars against each of the six value capitals to determine the relative importance each capital may have on each business pillar. It illustrates how the allocation of necessary resources to operationalise the key value drivers under each capital.

RELATIVE IMPORTANCE OF CAPITALS FOR KEY BUSINESS PILLARS

	Financial	Manufactured	Human	Social and Relationship	Intellectual	Natural
Underwriting	Important	Very important	Very important	Very important	Very important	Less important
Claims	Very important	Very important	Very important	Very important	Important	Less important
Reinsurance	Important	Important	Important	Very important	Very important	Less important
Investments	Very important	Less important	Very important	Very important	Important	Less important
Support services	Very important	Important	Very important	Very important	Important	Less important

Very important ● *Important* ● *Less important* ●

KEY VALUE DRIVERS FOR WHICH RESOURCES WERE ALLOCATED IN 2017

- Branch network
- Corporate office
- Call centre
- Infrastructure

- Corporate brand
- IT infrastructure

- HR infrastructure
- Employee benefits
- Employee training

- Stakeholder dialogue
- Claims management
- Service enhancements
- Marketing and promotional activities
- Business partner relationship management
- Community recruitment
- Corporate Social Responsibility (CSR)

- Paper saving
- Green projects
- Waste recycle
- Carbon footprint
- Energy and water management

BUSINESS REPORT

OUR KEY BUSINESS PILLARS

Underwriting

Underwriting is the mainstay of our business. Our underwriting services cover the full gamut of non-life insurance services for motor and non-motor segments. Our policies feature competitive rates coupled with a range of benefits that provide our customers with secure, comprehensive liability protection to safeguard their assets and/or businesses.

Our experienced underwriting staff possess the knowledge and expertise to evaluate coverage requests and recommend flexible solutions to meet the needs of our customers. Moreover, the synergies derived through our ties with our immediate parent; People's Leasing & Finance (PLC) and our ultimate parent, People's Bank (PB) also go on to further strengthen our underwriting proposition.

From a business perspective, we follow a solid underwriting strategy supported by the risk appetite set by the Board and prudent underwriting policies, to optimise our underwriting spread and manage the exposure to each business class in cognizance with the demands of the market.

Further, we continue to invest in underwriting tools as well as in systems improvements, to support the level of analysis and data quality of our growing portfolio.

Claims Management

In the highly competitive and economically challenging environment in which we operate, price point and the efficiency of claims settlement now receive equal importance and have become the two main deciding factors for the customer. In most cases, claims settlement now even serves as a key market differentiator among non-life insurance companies in the market.

Our reputation as a leading non-life insurer also rests largely on the speed and efficiency with which we manage customer claims. Efficient and effective claims management and settlement therefore is integral to the success of our business.

Led by our claims management guidelines, we have adopted a simpler and smarter claims management approach to ensure speedier execution of the claims settlement process and thereby meet and even exceed the customer's expectations. Working together with our network of assessors/loss adjustors stationed across the country, our claims department targets the end-to-end claim management process to be completed within a stipulated time frame of one working day upon completion of the documentation requirement by customer.

Reinsurance

Reinsurance is fundamental to our business. It is a crucial lever that strengthens our capacity as a non-life insurer and in turn bolstering our long-term growth prospects. As part of our risk management strategy, we are required to maintain ties with a robust portfolio of reinsurers, while strict protocol is observed with regard to the selection of reinsures. And as a policy, we only contract with globally reputed reinsurers who are backed by a strong track record and solid financials and are rated A- or above.

REINSURANCE PANEL

Reinsurer	Rating	Issuing Agency
Asia Capital Reinsurance Group Pte Ltd, Singapore	A-	A. M. Best
Everest Reinsurance Company, Singapore	A+	A. M. Best
First Capital Insurance Ltd, Singapore	A	A. M. Best
Federal Insurance Co Ltd, Malaysia	A++	A. M. Best
General Insurance Corporation of India, Mumbai, India	A-	A. M. Best
Labuan Reinsurance Ltd, Malaysia	A-	A. M. Best
Lloyd's, United Kingdom	A	A. M. Best
Malaysian Reinsurance Bhd, Kuala Lumpur, Malaysia	A-	A. M. Best
MAPFRE Asistencia, Spain	A	Standard & Poor's
Swiss Reinsurance Company Ltd, Singapore Branch	A+	A. M. Best
Trust International Insurance and Reinsurance (B.S.C.)	A-	A. M. Best
XL Insurance Co. Ltd.	A	A. M. Best
National Insurance Trust Fund	AA-	Fitch

GRI 102 - 02

BUSINESS REPORT

Asset Management

Underpinned by a robust asset management and investment strategy, we aim to maximise the value of our asset portfolio. The success of these efforts are evidenced in our ability to generate consistently high returns year after year. Please refer Financial Capital Report on pages 101 to 110 for complete details regarding our asset management outcomes for 2017.

OUR STRAGIC INTENT

Top-line Growth

Be the best in-class Underwriter

SETTING PRIORITIES

The year 2017 marks the start of our journey to position People's Insurance as a stand-alone non-life insurance company. With this clarity of purpose, we set out to strategically restructure our operations and build a scalable platform that would converge our strategic intent into sustainable value for the future. Accordingly, all efforts for the year were driven by three key pivots; namely;

1. Penetrating new market segments to grow non-captive business volumes
2. Grow overall market share through alternative channels
3. Enhance customer satisfaction regarding the claim settlement process

TAKING ACTION

Penetrating new market segments to grow non-captive business

The captive business generated through the Group has long been the mainstay of our operations. However, given our intention to reposition ourselves as an independent entity in the local insurance market, we launched our new logo and kicked off widespread promotional efforts to raise our brand profile in the market. The move forms part of a broader strategy to promulgate our insurance proposition across all customer segments across the island.

Meanwhile efforts to widen the reach saw a new 19-member specialised sales team being deployed to canvass countrywide sales.

Grow overall market share through alternative channels

Market development activities for the year focused on expanding volumes generated through alternative channels; in particular insurance brokers, insurance agents and the bancassurance facility extended to People's Bank customers.

Targeted channel management initiatives for the year included among other things, the appointment of dedicated managers at senior level to oversee each key sales channel.

Further investments were made in a pilot project to design a suite of e-products, through which we expect to secure first-mover advantage in servicing the insurance needs of a number of emerging sectors in the economy.

Enhance customer satisfaction regarding the claim settlement process

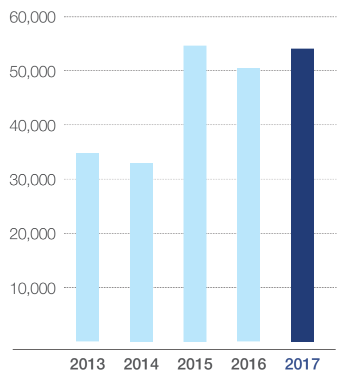
Underwriting and claims settlement are the two most important co-dependent aspects of our business.

Improving the quality of the claim settlement process therefore remains crucial in determining our competitive position in the market. Accordingly, in the year under review, we took a number of important steps specifically to reduce the claim processing cycle in both motor and non-motor segments. Procedural changes to fast track the claim settlement process in the motor segment saw the introduction of the 24-hour claim processing cycle for minor accident claims (below Rs. 50,000).

Furthermore, the call centre operation was strengthened with the deployment of additional resource personnel to minimise potential delays that the customer may face due to call waiting. Staff strength of claim departments was also increased in an effort to overcome processing bottlenecks, while training activities for call centre and claim department staff as well as for assessors continued throughout the year to facilitate efficiency improvements at each stage of the claim settlement process.

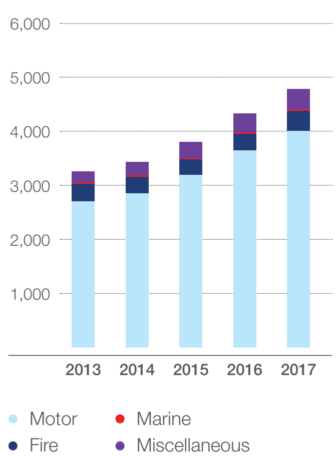
NEW POLICIES

No. of policies



GROSS WRITTEN PREMIUM CLASS SEGMENTATION 2013 - 2017

Rs. Mn



PRODUCING RESULTS

Underwriting

New Polices

The Company recorded a moderate increase in number of polices in 2017. The number of active policies as at 31st December 2017 was 164,206, up by 8% compared to the 151,736 reported in the previous year. Of the total number of policies for the year 67% were renewals, while 33% were new acquisitions.

Meanwhile, new policies (new + renewals) generated through captive sources, including customer referrals from the parent, group companies and through the bancassurance channel with People's Bank, declined marginally from 90% in 2016 to 88% in the year under review. The corresponding increase in non-captive business rose from 10% in 2016 to 12% in the year under review, pointing to a customer uptake in the latter half of the year, following our publicity campaign.

Market Share

	2016	2017
Market share	5.8	5.4

Segment Outcomes

Motor

Accounting for nearly 84% of our total insurance portfolio, the motor segment continues to be the mainstay of our operations. The segment, which is heavily dependent on the vehicle leasing market, came under pressure amidst higher import tariffs and loan-to-value ratio aimed at restricting vehicle imports. However, thanks to our marketing strategies, all categories in the motor segment registered growth with the overall portfolio increasing by 8% year-on-year. A notable increase in non-captive motor business was also seen as a result of these efforts.

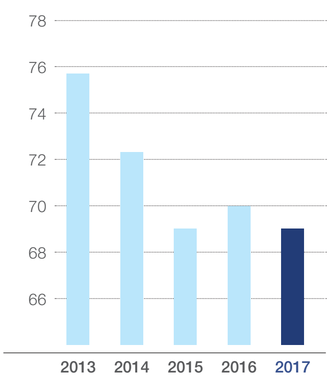
Non-motor

With our promotional campaigns gaining traction in all market segments, the non-motor segment too registered good results, with all three components recording satisfactory growth figures in the year under review. Non-motor portfolio mix however remained more or less unchanged with fire and engineering, marine and miscellaneous business classes accounting for 8.0%:0.3%:8.0% respectively of the non-motor portfolio as at 31st December 2017.

BUSINESS REPORT

NET CLAIMS RATIO

%



Claims

Class-wise claim ratios

Class	2017	2016
Motor	71%	72%
Fire	49%	31%
Marine	(19%)	(314%)
Miscellaneous	63%	70%

NO. OF CLAIMS SETTLED

41,895

(2016 – 40,524)

OVERALL NET CLAIMS RATIO

69%

(2016 – 70%)

Reinsurance

Fuelled by the ongoing expansion in our business volumes, premiums paid to reinsurers rose by 6% year-on-year. Partly responsible for the increase in reinsurance premiums was the floods took place in June 2017.

FUTURE AGENDA

Moving forward, the focus would be to develop a strategic blueprint to ensure our business can evolve and grow in tandem with the market. In this process, we will continue to leverage on the iconic People's Bank brand value and the synergies it brings, but stay focused on reinventing our identity through a strong operational framework, robust IT infrastructure and continuous research.

FINANCIAL CAPITAL GRI 102 - 07

Our primary sources of financial capital are stated capital provided by our shareholders, retained profits and cash flows generated from our business activities. These sources of funding have been more than sufficient to pay claims to policyholders and dividends to shareholders while earning a substantial investment income from our investment portfolio.

Profit for the year
Rs. 773 Mn

Investment portfolio
Rs. 6.1 Bn

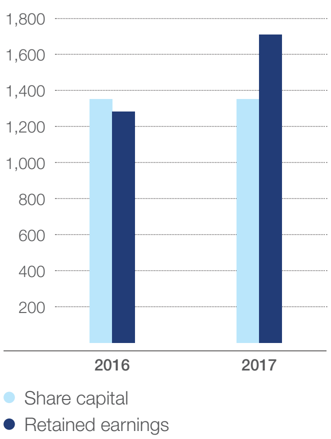
Market capitalisation
Rs. 4.6 Bn

Dividend per share
Rs. 2.00

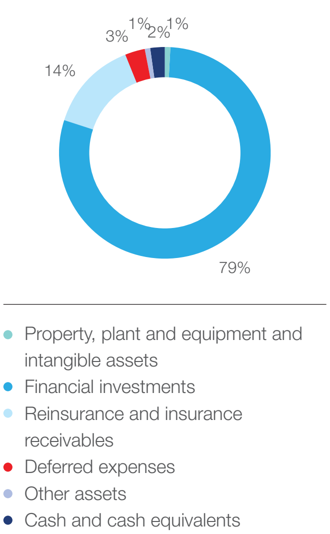
FINANCIAL CAPITAL

SHARE CAPITAL AND RETAINED EARNINGS

Rs. Mn



TOTAL ASSETS



Our financial capital consists of our share capital and retained profits. 75% of the Company's share capital, is funded collectively by People's Leasing and Finance PLC, while remaining 25% stake is publicly owned. The retained profit component includes undistributed earnings accumulated since the inception of the Company. Being fully funded through shareholders and retained earnings, PI does not maintain any debt capital.

MANAGEMENT APPROACH

The long-term stability and sustainability of our business depends largely on our ability to consistently enhance the Company's financial capital. To facilitate the effective management of PI's financial capital, we focus on two parallel drivers, namely; profit maximisation and wealth maximisation.

Both profit maximisation and wealth maximisation, ultimately contribute towards increased shareholder value. PI's fundamental purpose is to create value for shareholders both in the short term as well as in the long term.

Improved financial position provides a direct and immediate benefit to the shareholder by way of higher or more frequent dividends. The Company's dividend distribution policy seeks to maximise the shareholder wealth. Accordingly, profits available after allocation to reserves are distributed among shareholders. PI's shareholders continue to benefit from consistent stream of dividend each year, with nearly 50% of annual profits being paid out by way of dividends.

A strong financial position (balance sheet), most often drives up the share price, in turn increasing shareholder wealth in the long term. An analysis of PI's share price indicates a significant appreciation within a short time span. At the time of the IPO in 2015, the Company's share was priced at Rs. 15.00 and since then has risen to Rs. 23.00 by end 2017, a 53% appreciation within a shorter period.

As a result of the appreciation in the share price, the Company's market capitalisation as at 31st December 2017 stood at Rs. 4.6 billion.

HOW IT IS MANAGED

We consider profit maximisation and wealth maximisation, as two sides of the same coin. Therefore, meeting these objectives calls for comprehensive and broad-ranging strategic assessments of our operating context as well as our risk framework to determine on an ongoing basis the opportunities and challenges facing the business.

DIVIDENDS DECLARED

Rs. 400 Mn

for the year ended 31st December 2017

KEY PERFORMANCE INDICATORS

At the time of the IPO in 2015, the Company's share was priced at Rs. 15.00 and since then has risen to Rs. 23.00 by end 2017, a 53% appreciation within a shorter period.

As a result of the appreciation in the share price, the Company's market capitalisation as at 31st December 2017 stood at Rs. 4.6 billion.

To achieve profit maximisation, our business units explore all possible revenue streams. This is coupled with PI's low-cost operating model and other company-wide cost control measures in order to maintain or exceed benchmark margins.

In wealth maximisation area, the major emphasis is on managing cash flows, where alternative investment scenarios are scrutinised before selecting one that generates the best possible return without compromising on the Company's accepted risk parameters.

PROGRESS MADE ON TARGETS

FINANCIAL CAPITAL DEVELOPMENT INDEX

	2016			2017		
	Target	Actual	Variance	Target	Actual	Variance
Gross written premium	4,353	4,340	(13)	4,836	4,782	(54)
Net profit before tax	763	733	(30)	789	867	78

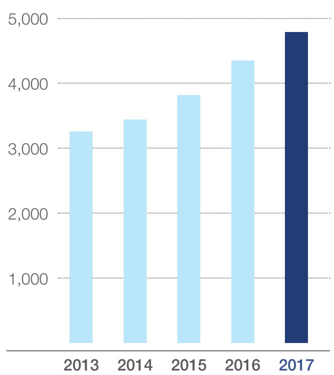
VALUE CREATION MATRIX FOR 2017

Capital Inputs	Strategic Value Drivers	Value Outcomes
Share Capital - Rs. 1,350 million	Underwriting	EPS – Rs. 3.87
Retained Earnings - Rs. 1,711 million	Claim management	DPS – Rs. 2.00
Total Assets - Rs. 7,745 million	Reinsurance	NAPS - Rs. 15.29
	Investment management	ROE – 25%
		ROA – 10.0 %
		Dividends declared to shareholders – Rs. 400 million

FINANCIAL CAPITAL

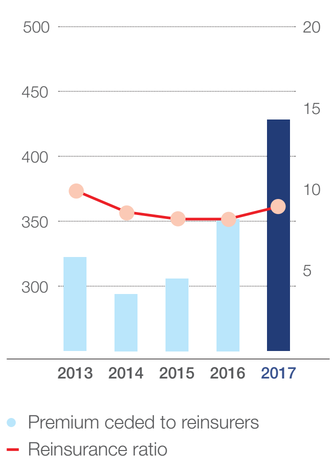
GROSS WRITTEN PREMIUM

Rs. Mn



PREMIUM CEDED TO REINSURERS AND REINSURANCE RATIO

Rs. Mn %



FINANCIAL REVIEW

INCOME AND PROFITABILITY

Financial Performance Highlights

Our financial performance in 2017 was not an exception for our outstanding financial track record with all key financial performance indicators performing well during the year under review as well. Our financial performance highlights during the past 5 years are provided below.

Indicator	2017 Rs. Mn	2016 Rs. Mn	2015 Rs. Mn	2014 Rs. Mn	2013 Rs. Mn
Gross written premium	4,782	4,340	3,813	3,441	3,251
Net earned premium	4,097	3,723	3,268	2,990	2,801
Net claims and expenses	(3,925)	(3,517)	(3,014)	(2,839)	(2,694)
Underwriting profit	172	206	254	152	107
Other revenue	695	527	349	421	394
Profit before income tax	867	733	603	573	501
Income tax expense	(94)	(75)	(139)	(123)	(130)
Profit for the year	773	658	464	450	371

We recorded a gross written premium of Rs. 4,782 million during the year under review, posting a growth of 10% over the previous year.

Underwriting profit decreased by 16%, but remained above the budgeted levels despite higher operating and administrative expenses reported during the year under review.

Other revenue consisting of investment income and fee income increased significantly by 32% in 2017, driven by increase in interest income and higher gains from listed equity investments.

Notably, profit after tax grew by 17%, thanks to the increase in other revenue despite the decline in underwriting profit.

Gross Written Premium

We reported a total gross written premium (GWP) of Rs. 4,782 million in 2017, an increase of 10% compared to 2016. This was attributable to 9.7% growth in motor segment and 12.9% growth in non-motor segment. Miscellaneous and fire classes were the key contributors to the growth of the non-motor segment, recording growth rates of 9% and 19% respectively. Motor segment contributed 84% towards the total GWP while non-motor business segment contributed the balance.

Premium Ceded to Reinsurers

During the year under review, reinsurance premium ceded increased by 22%. Reinsurance ratio also increased from 8.1% to 8.9% mainly due to two factors; the larger number of new policies which required higher reinsurance cover and the payment of reinstatement premium due to utilisation of the reinsurance cover in respect of flood claims took place during the year under review. The table below depicts the contributions made to reinsurers, including National Insurance Trust Fund (NITF) and the percentage of the same as a percentage of GWP.

Indicator	2017	2016	2015	2014	2013
Gross written premium (Rs. Mn)	4,782	4,340	3,813	3,441	3,251
Premium ceded to reinsurers (Rs. Mn)	428	351	305	294	322
Reinsurance ratio	8.9%	8.1%	8.0%	8.5%	9.9%

Net Earned Premium

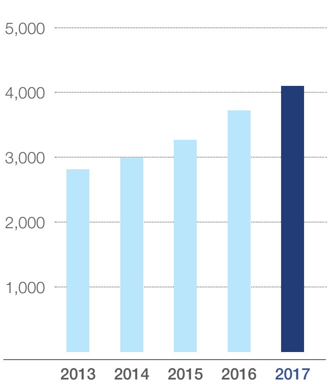
Net earned premium increased by 10% from Rs. 3,723 million in 2016 to Rs. 4,097 million in 2017 bolstered by the growth in GWP. Accordingly, Rs. 256 million was transferred to unearned premium reserve in 2017 compared to Rs. 285 million transferred in 2016. Rs. 1.4 million was transferred to the unearned reinsurance premium reserve in 2017 in contrast to the transfer of Rs. 19 million from unearned reinsurance premium reserve in 2016. This is an accounting adjustment required to match the premiums over the policy period.

Insurance Claims

Gross claims paid increased by 7% to Rs. 2,812 million in 2017 from Rs. 2,582 million in 2016 while the gross change in contract liabilities increased by Rs. 146 million to Rs. 259 million in 2017 from Rs. 113 million in 2016. Accordingly, total gross claims incurred amounted to Rs. 3,070 million in 2017 compared to Rs. 2,695 million in 2016, recording an increase of 14% for the year. Claims recovered from reinsurers increased significantly by 40% to Rs. 80 million for 2017 from Rs. 57 million in 2016, especially due to reinsurance recoveries in respect of floods took place in 2017, while the change in contract liabilities recoverable from reinsurers also increased by Rs. 159 million from a negative Rs. 10 million in 2016 to reach Rs. 149 million by end of 2017. Net claims with the combination of the above, increased by 8% to Rs. 2,841 million in 2017 from Rs. 2,628 million in 2016. The increase in insurance claims was marginally less than the business growth of the Company, thereby posting an improvement in the claim ratio from 70% in 2016 to 69% in 2017 which was mainly attributable to motor class.

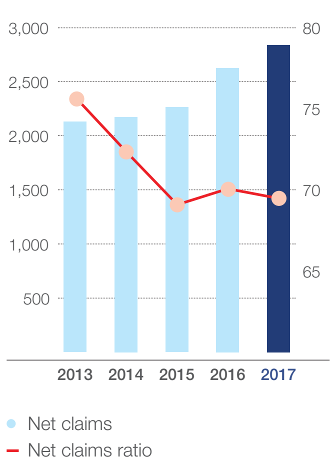
NET EARNED PREMIUM

Rs. Mn



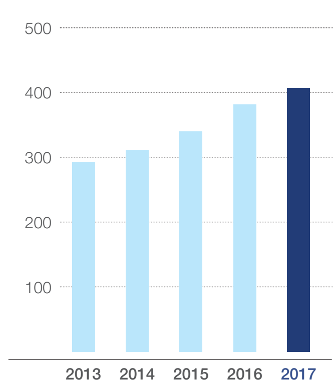
NET CLAIMS AND NET CLAIMS RATIO

Rs. Mn %



UNDERWRITING AND NET ACQUISITION COSTS

Rs. Mn



Underwriting and Net Acquisition Costs

Underwriting and net acquisition costs consist of commission paid in respect of procuring business, net of reinsurance commission received in respect of reinsurance premium ceded to reinsurers. Underwriting and net acquisition costs increased by 7% to Rs. 407 million in 2017 from Rs. 380 million in 2016 as a result of increase in reinsurance commission.

FINANCIAL CAPITAL

Other Operating and Administrative Expenses

Other operating and administrative expenses incurred in 2017 amounted to Rs. 677 million, up by 33% from Rs. 508 million reported in 2016.This increase is mainly attributable to increased rent cost due to shifting of the Company's corporate office premises, full scale advertising campaign carried out and increased staff expenses occurred during the year under review in view of the planned business expansion. As a result of increased other operating and administrative expenses, our net expenses ratio also increased from 24% in 2016 to 27% in 2017. However, our net expenses ratio is still well below the industry net expense ratio of 35.48% recorded in 2016.

Underwriting Results

We were able to record a commendable underwriting profit of Rs. 172 million during the year under review though this is below our previous years' underwriting profit of Rs. 206 million. The main reason for the decline was the increase in expense ratio by three percentage points to 27% in 2017 in view of the increased other operating income and administrative expenses, as explained previously, resulting net combined ratio to reach 96% in 2017 from 94% in 2016.

Other Revenue

Other revenue increased by 32% from Rs. 527 million in 2016 to Rs. 695 million in 2017 mainly due to increase in interest and dividend income and fair value gains. Interest income which represents the largest share in other revenue increased by 32% from Rs. 475 million in 2016 to Rs. 626 million in 2017, thanks to higher market interest rates experienced in 2017. Net fair value gains for the year under review also increased from Rs. 11 million in 2016 to Rs. 25 million in 2017 as a result of improved performance of the CSE during the year under review. Fee income, consisting of policy fees and administrative fees charged from customers increased by 5% from Rs. 40 million in 2017 to Rs. 42 million in 2016, mainly in view of business growth.

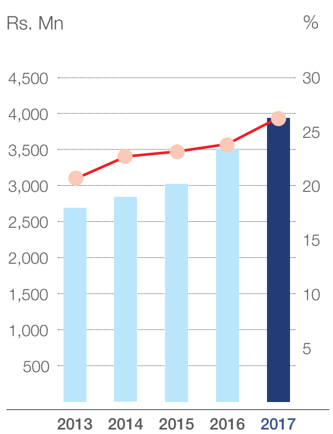
Income Tax Expense

Income tax expense increased by 25% from Rs. 75 million in 2016 to Rs. 94 million in 2017, though profit before tax increased by 18% during the period mainly in view of the deferred tax charge of Rs. 1 million in 2017, compared to deferred tax reversal of Rs. 7 million in 2016. Income tax expense for both 2017 and 2016 was computed at the rate of 14% due to a waiver of 50% of the income tax liability that is available to the Company in view of the listing of its shares on the CSE as per the eligible criteria specified.

Profit after Tax

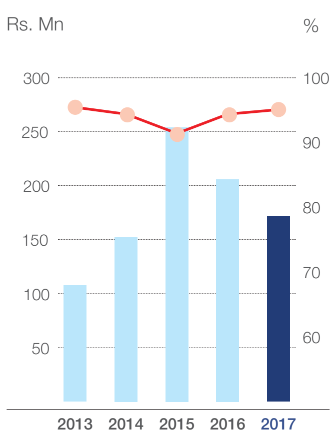
Profit after tax increased by 17% from Rs. 658 million in 2016 to Rs. 773 million in 2017 mainly due to increase in other revenue instrumented by interest income though underwriting profits recorded a negative growth during the year under review.

NET CLAIMS AND EXPENSES AND NET EXPENSE RATIO



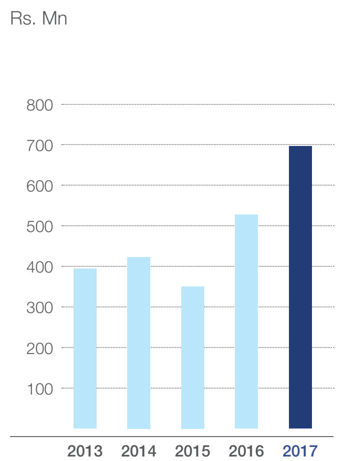
- Net claims and expenses
- Net expense ratio

UNDERWRITING RESULTS AND NET COMBINED RATIO

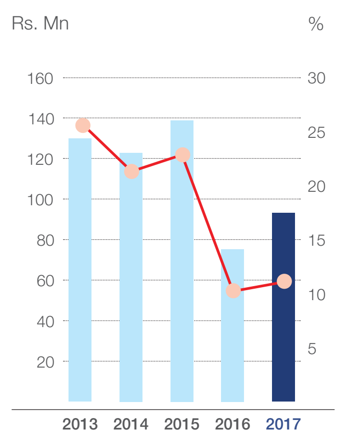


- Underwriting results
- Net combined ratio

OTHER REVENUE



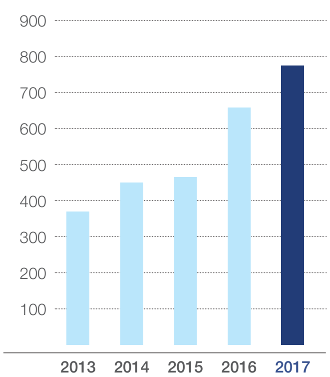
INCOME TAX EXPENSE AND EFFECTIVE INCOME TAX RATE



- Income tax expense
- Effective income tax rate

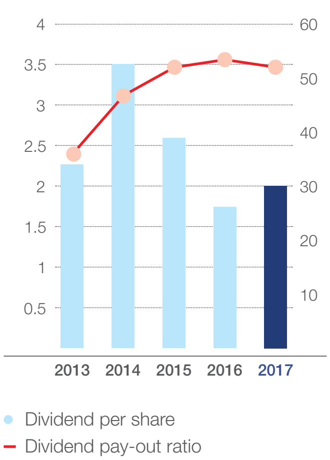
PROFIT AFTER TAX

Rs. Mn



DIVIDEND PER SHARE AND DIVIDEND PAY-OUT RATIO

Rs. %



Dividends

Dividends continue to be the most important distribution mechanism to investors. Hence, we have been maintaining a steady dividend pay-out close to 50% level during the past few years. Continuing this,we declared a total dividend of Rs. 2.00 per share, amounting to Rs. 400 million in respect of the financial year ended 31st December 2017, compared to the total dividend of Rs. 1.75 per share, amounting to Rs. 350 million paid in 2016, recording an increase of 14% in dividends during the year under review.

ASSETS AND FINANCIAL POSITION

Financial Position Highlights

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

	2017 Rs. Mn	2016 Rs. Mn	Growth %
Assets			
Intangible assets and property, plant and equipment	95	45	111
Financial investments	6,137	5,470	12
Reinsurance and insurance receivables	1,089	829	31
Other assets	307	238	29
Cash and bank balances	117	138	(15)
Total assets	7,745	6,720	15
Equity and liabilities			
Equity			
Stated capital	1,350	1,350	-
Revenue reserves	1,707	1,279	33
Total equity	3,057	2,629	16
Liabilities			
Insurance liabilities	4,074	3,558	15
Financial and other liabilities	509	417	22
Reinsurance payables	36	42	(14)
Bank overdrafts	69	74	(7)
Total liabilities	4,688	4,091	15
Total equity and liabilities	7,745	6,720	15

Our financial position remained strong with an asset base of Rs. 7,745 million as at the reporting date with an investment portfolio of above Rs. 6 billion. Our equity base was also strong with stated capital of Rs. 1,350 million of which Rs. 750 million was raised through the IPO. Our solvency position also remained healthy with this capital base which is capable of absorbing risks of the business comfortably.

FINANCIAL CAPITAL

Assets

A strong asset base is required to ensure the regulatory minimum requirements and absorb internal and external shocks while the management of the asset base plays a key role in financing a company, ensuring its profitability. We continue to maintain a strong financial position with a sound asset base.

Our total assets grew by 15% with an increase in financial investments by Rs. 667 million as at 31st December 2017 mainly in view of the business growth and improved profitability.

Investments

We strive to maintain an appropriate trade-off between risks and returns within its investment strategy and as such, firmly adhere to the stipulated regulatory framework, especially Capital Adequacy Ratio (CAR) requirements under the recently implemented Risk Based Capital (RBC) regime by the IRCSL, when we make our investment decisions. Our total investment portfolio grew by 12% during the year under review as a result of the business growth, reinvestment of investment income and improved profitability.

Investment Instrument	2017		2016		Growth %
	Amount Rs. Mn	Composition %	Amount Rs. Mn	Composition %	
Government securities	1,441	23	1,687	31	(15)
Listed debentures	1,757	29	1,818	33	(3)
Fixed deposits	2,710	44	1,545	28	75
Listed equity securities	136	2	327	6	(58)
Unit trust	-	-	48	1	(100)
Other financial assets	94	2	45	1	109
Total	**6,137**	**100**	**5,470**	**100**	**12**

We have invested slightly above 95%of our investment portfolio in interest bearing instruments while increased investments in fixed deposits during the year under review due to their attractiveness as a short term investment amidst tax uncertainties. Accordingly, the share of fixed deposits in the portfolio increased to 44% in 2017 from 28% in 2016. As a result, investments in fixed deposits represented the largest share of our investment portfolio as at the end of the reporting period.

We continued to maintain our investments in government securities to be in line with the regulations of the IRCSL which requires a minimum investment of 20% of the technical reserve in government securities. However, the government securities investment portfolio recorded a decline of 15% in 2017 mainly in view of our strategic focus on fixed deposits during the period under review. Investments in listed equity securities also reported a decrease of 58% in 2017 compared with 2016 due to the disposal of shares during the year under review to realise substantial capital gains from selected shares amidst higher market prices.

Capital

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

Insurance Provisions

We have taken necessary action to ensure that the required insurance provisions stipulated by the insurance regulator, the IRCSL were maintained throughout the year under review. In this regard, we obtained a certification from an independent professional actuarial firm, NMG Financial Services Consulting Pte Ltd. (NMG) on the adequacy of incurred but not reported claims (IBNR) provision in relation to the claim liabilities as at 31st December 2017. This IBNR provision, together with case reserves held by us is expected to be adequate to meet future liabilities in respect of our claims obligations as at 31st December 2017.

At the end of each reporting period, insurance companies are required to carry out a Liability Adequacy Test (LAT) according to Sri Lanka Financial Reporting Standards (SLFRS) 4 - Insurance Contracts. LAT is performed to assess the adequacy of the carrying amount of Unearned Premium Reserve (UPR). Our consultant actuaries, NMG has certified that UPR maintained by us is adequate in relation to the unexpired risks of the Company as at 31st December 2017.

Solvency Position

During 2017, we maintained our CAR well above the stipulated minimum regulatory and supervisory targets of 120% and 160% respectively, reflecting the strength of our capital base. Our Total Available Capital (TAC) was also well above the required minimum of Rs. 500 million prescribed under the RBC regime. The following table depicts the compliance with the key requirements with the RBC regime.

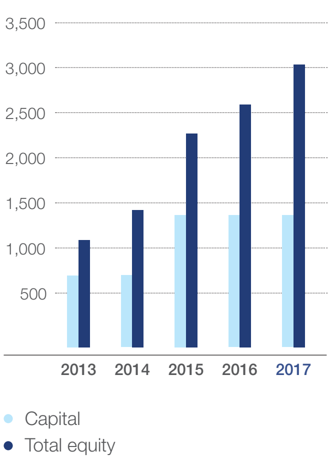
	2017	2016	Change
Capital Adequacy Ratio (CAR)	319%	339%	(4)%
Total Available Capital (TAC)	Rs. 2,826 Mn	Rs. 2,782 Mn	Rs. 44 Mn

Cash Flows

Cash in hand and bank balance stood at Rs. 117 million and bank overdraft balance stood at Rs. 69 million as at 31st December 2017. A majority of the cash flows are generated through premium income which is the main source of our operations. During the year under review, a total net cash inflow of Rs. 1,102 million was generated through our operating activities while those operating cash flows were used for investing and financing activities. Net financial investment and investment in property, plant and equipment amounted to Rs. 697 million and Rs. 70 million respectively under investing activities while a sum of Rs. 350 million was paid as dividends as a financing activity for the year ended 31st December 2017.

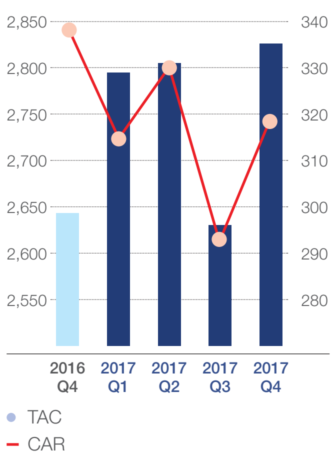
CAPITAL AND TOTAL EQUITY

Rs. Mn



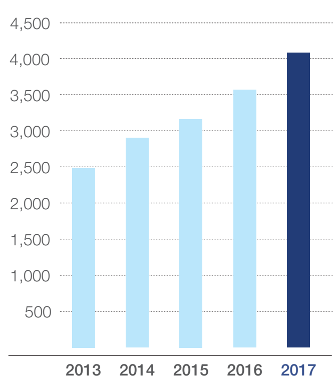
CAPITAL ADEQUACY RATIO AND TOTAL AVAILABLE CAPITAL

Rs. Mn %



INSURANCE PROVISION

Rs. Mn



FINANCIAL CAPITAL

Earnings per Share

2017	2016
Rs 3.87	Rs 3.29

The positive momentum of the Company's Earnings per Share (EPS) over the past years continued in 2017 as well, showcasing the substantial value generated by us for our shareholders. EPS increased by 18% from Rs. 3.29 in 2016 to Rs. 3.87 in 2017 as profit attributable to the shareholders also increased by the same percentage.

Return on Equity

2017	2016
25%	25%

Return on Equity (ROE) measures a company's profitability by revealing the profit that a company generates using the money shareholders have invested. The amount of net income as a percentage of shareholder's equity is referred as ROE and expressed as a percentage. Our ROE for 2017, taking other comprehensive income also into account was 25%, remaining at the same level as 2016.

Dividend per Share

2017	2016
Rs 2.00	Rs 1.75

Dividend per share represents the dividend that has been declared/ paid for the each share of the Company. We declared Rs. 2.00 as dividend per share for the year ended 31st December 2017, compared to Rs. 1.75 declared for the year ended 31st December 2016, indicating 14% increase in return to our shareholders.

Return on Assets

2017	2016
10.0%	9.8%

Return on assets represents profit after tax as a percentage of total assets during the period. Our return on assets for 2017 was 10.0% compared to 9.6% in 2016, indicating 0.4% increase resulting from the improved financial performance registered in the year under review.

Dividend Pay-out Ratio

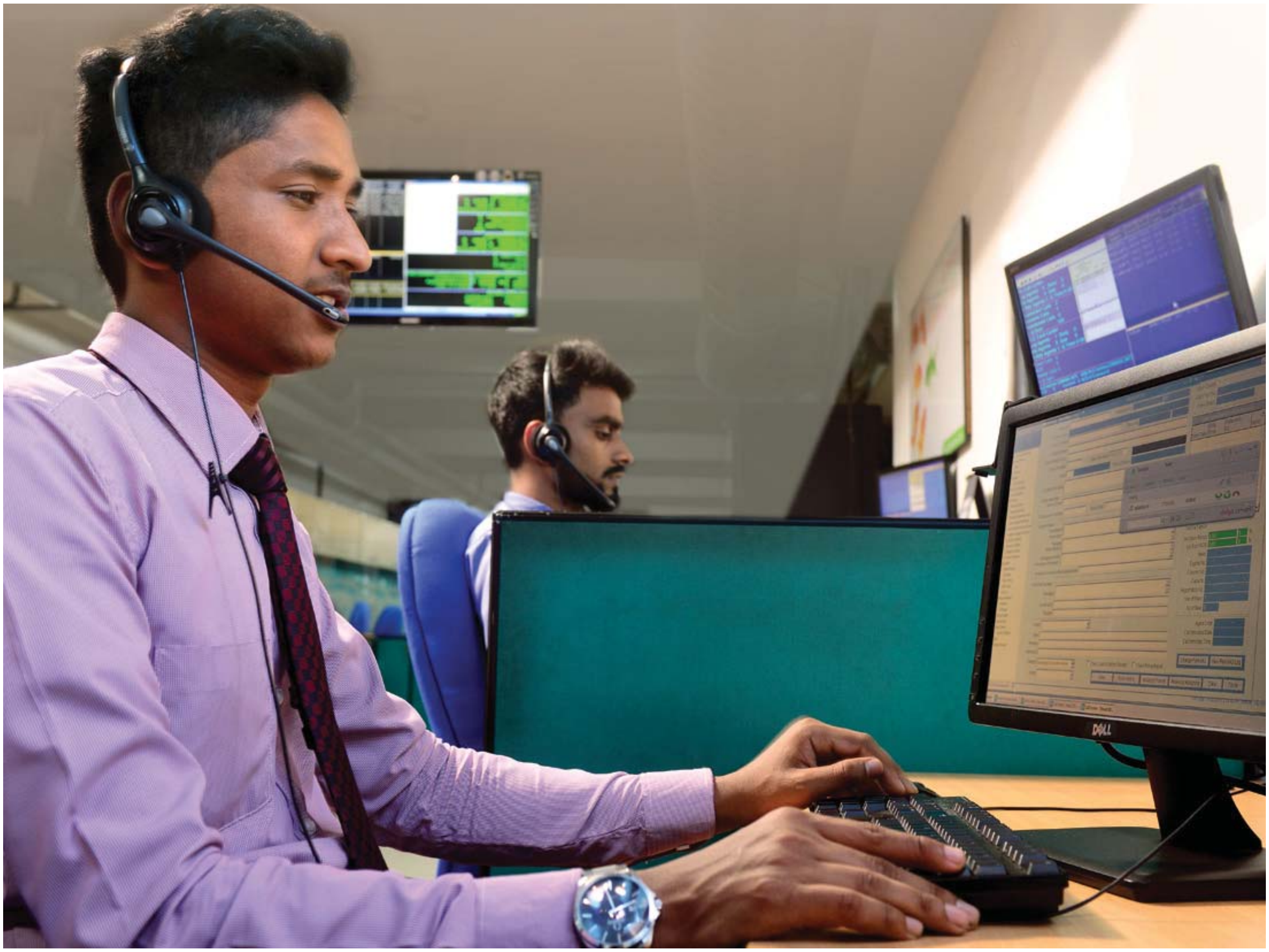
2017	2016
52%	53%

Dividend pay-out ratio represents the amount of dividends declared/ paid as a percentage of earnings for a period. During the year, our dividend pay-out ratio was 52% compared to 53% in the previous year, indicating a marginal decrease in the dividend pay-out ratio though dividend per share increased by 14%.

Price Earnings Ratio

2017	2016
Rs. 5.94	Rs. 5.78

Price Earnings (PE) ratio is one of the most widely used tools for the measurement of performance of a share. It is calculated by dividing current market price of the stock by its EPS. Our PE ratio for 2017 was 5.94 compared to 5.78 in 2016, as a result of relatively high market price of our share in 2017.



MANUFACTURED CAPITAL

Being in the service industry, our manufactured capital mainly comprises tangible assets which facilitate the provision of service such as our corporate office, regional and window office network, call centre and IT assets and equipment.

Investment in infrastructure
Rs. 79 Mn

Regional offices
3

Window offices
99

MANUFACTURED CAPITAL

Our manufactured capital consists of physical infrastructure used by PI to develop products and services, and deliver those products and services to the market. These include our IT hardware and technology infrastructure as well as PI's corporate office in Colombo and regional offices and window offices located across the island.

MANAGEMENT APPROACH

Given that our growth prospects and market positioning are dependent on our Manufactured Capital, we have fully invested in strengthening this aspect of our business. Regular investments to enhance Manufactured Capital ensure we are equipped with the industry-best infrastructure that will build scalability for the long term.

HOW IT IS MANAGED

Investments to enhance Manufactured Capital are based on a rolling 3-year strategic plan approved by the Board. Through this process, we are able to establish a channel expansion strategy that will enable PI by better respond to customer needs.

Having adopted a cost-efficient strategy to manage our channels, we have thus far capitalised on group synergies and set up window offices at People Leasing & Finance PLC (PLC) branches located across the island. In this way, we have established our presence at approximately 98% of the PLC branches island-wide.

In addition, we have taken steps to equip regional offices of People's Bank (PB) which are seen as strategically important, with PI officers to carry out bancassurance business with PB. More recently, we have also begun conducting localised studies to understand the economic drivers in key regions across the country, to identify high potential locations where we could set up our own regional offices.

PROGRESS MADE ON TARGETS

INFRASTRUCTURE DEVELOPMENT INDEX

	2016			2017			2018
	Target	Actual	Variance	Target	Actual	Variance	Target
Regional offices	2	2	-	4	3	1	5
Window offices	100	91	9	107	99	8	107

VALUE CREATION MATRIX FOR 2017

Capital Inputs (Tangible/Intangible)	Strategic Value Drivers	Value Outcomes (Quantitative/Qualitative KPI's)
Investment to expand the footprint – Rs. 1.5 Mn Investment in the new Corporate office – Rs. 39 Mn Investment in IT infrastructure – Rs. 23.6 Mn	Window offices Branch network Call centre	• Increased presence through new regional offices • Better working environment • Enhanced data processing and storing capacity

WINDOW OFFICES

As at 31st December 2017, PI had a total of 99 window offices at branches of PLC across the island, including the eight window offices that were opened during the year under review.

BRANCH NETWORK

PI maintains three regional offices in Galle, Negombo and Anuradhapura all of which function as fully-fledged branches equipped to provide customers with the full suite of services offered by PI. Anuradhapura regional office which was opened in December 2017 is the newest addition to the network.

New Branches and Window Offices

The other major development for the year was the shifting of PI's corporate office to a new building in Thummulla, Colombo 05. The move signals our intention to expand our capacity to support growth ambitions for the future. Owned by People's Havelock Properties Limited, a subsidiary of PLC, the building is a newly completed state-of-the-art modern office complex with better working environment for our employees. Its central location and ample parking space are meant to improve the level of convenience made available to our customers.

CALL CENTRE

We have a fully equipped 24X7call centre with state-of-the-art IT infrastructure to handle all customer claims management and other related services. It also provides our customers an ideal platform to interact and communicate with our service representatives - facilitating access to information, to give their feedback, and obtain due solutions to their concerns.

FUTURE AGENDA

In the year ahead, the main strategic thrust would be to strategically expand the number of regional offices, with plans are already underway to identify potential locations across the country. Efforts to set up more window offices are also expected to continue in 2018. This will however be largely dependent on the branch expansion strategies adopted by PLC.

To facilitate this level of business expansion and, at the same time to give PI a competitive edge in the market, work has begun on formulating a comprehensive IT strategy that would systematically strengthen the Company's IT infrastructure over the next three years.

Re-location of our Corporate Office from Colombo 03 to Colombo 05.

HUMAN CAPITAL

Our management team consists of well-experienced professionals in the insurance industry that helps ensure appropriate decisions and actions. Our employees mainly consist of young and dynamic staff, helping ensure a pleasant experience to our customers.

No. of staff

385

Employee retention ratio

85%

Training hours per employee

19.5

At People's Insurance PLC (PI), we advocate best practices in Human Capital management as we strive to create an enabling environment for our employees to reach their full potential and thereby contribute to the Company's long term success, today, tomorrow and in the years to come.

MANAGING MATERIAL TOPICS

Management Approach

We seek to attract the 'best-in-class' talent by creating an 'equal opportunity' work environment. Our goal is to build a talented and loyal team through the promotion of fair, responsible and transparent work ethics and best practices for employee development.

PI is an equal opportunity employer and remains committed to treat people with dignity, where all employees are treated fairly and their prospects within the Company are determined solely by their performance.

Our non-discriminatory policy ensures that we do not discriminate against based on religion, sex, colour, sexual orientation, gender identity, age, marital status, disability, or any other basis protected by applicable discrimination laws. During the year under review, no incidence of discrimination was reported. This policy is applicable to all employees and covers all terms and conditions of employment, including, recruitment, placement, promotion, termination, layoff, recall, transfers, leaves of absence, compensation, and training.

Our polices further state that all employees remain employed at PI at their own will and are not forced to do so against their wishes. We uphold employees' right to enter, remain-in and terminate their employment voluntarily, and that no one should be subjected to, or coerced to work more overtime hours than stipulated by labour regulations, subjected to intimidation or be required to lodge deposits or personal documents as part of their employment. Further, child labour is strictly prohibited.

We are committed to fostering a healthy dialogue with employees and as such, have always promoted an open-door communicative culture, which has led to the development of strong relationships with all levels of the employees. This philosophy extends to our succession plan too, where we strive to ensure a sense of purpose and sustainability for each employee. We offer guidance through clearly defined roles and expectations in order for each employee to succeed in their individual careers, while collectively contributing to the Company's success.

We believe a robust work environment of this nature is paves the way for us to continuously enhance our employee value creation model and position PI as an 'employer of choice' in the market.

How it is Managed

A new Human Resources Department (HRD) was established at PI to oversee the Company's employee development activities which were previously handled at group level. Headed by a dedicated HR Head along with 4 member support team, the new HRD has already begun working in tandem with the Group HR framework to formulate and implement company-specific HR policies and procedures that aim to strengthen PI's Human Capital.

The first order of business for the newly set up HRD is to address the challenge of recruiting qualified candidates who are also culturally the best-fit for PI. As an immediate measure, a set of new recruitment guidelines was established along with all employment and appointment contracts now being drafted by the HRD subject to strict compliance with policies, rules and regulations set by the Group. This was coupled with a review of the Company's existing benefit structure (monetary and non-monetary) to compare our position against industry benchmarks. The move also forms part of our strategy to retain experienced and qualified staff and ensure that they grow together with PI.

Another key priority for the HRD was to develop the Company's leadership pipeline, mainly to support PI's journey towards becoming a more independent entity. Accordingly, our newly set up HRD has commenced reviewing the Company's talent pipeline and begun implementing individual career development plans to ensure that intellectual capital is not lost, but rather transferred from one employee to another. As part of this effort, detailed assessments were carried out to earmark potential candidates for development with authority limits for each being deepened to encourage employees broaden their scope of work in preparation for greater responsibilities in the future. This was supported by a comprehensive assessment to identify training needs to sharpen leadership skills of prospective future leaders.

DRIVING THE BUSINESS

GRI 404 - 01

HUMAN CAPITAL

IT IS OUR POLICY TO HIRE BASED ON THE CANDIDATE'S SUITABILITY BASED ON HOW WELL THEY QUALIFY FOR THE ROLE VIS-À-VIS THEIR QUALIFICATIONS, EXPERIENCE AND BEST FIT FOR PI'S CORPORATE CULTURE.

PROGRESS MADE ON TARGETS

EMPLOYEE DEVELOPMENT INDEX

	2016			2017			2018
	Target	Actual	Variance	Target	Actual	Variance	Target
Employee retention ratio	90%	87%	3%	90%	85%	5%	90%
Training investment per employee (Rs.)	7,979	4,848	3,131	6,127	7,507	1,380	11,011
Training hours per employee	30.0	25.5	4.5	25.0	19.5	5.7	30.0

Value Creation Matrix for 2017

Capital Inputs (Tangible/Intangible)

Investment in HR department - Rs. 5.3 million (salaries paid to HR function and PLC shared services of HR)

Investment in HR system - Rs. 1.2 million

New work space and robust work environment created at the new building

GPTW Survey

Strategic Value Drivers

Recruitments

Compensation and Benefits

Rewards and recognition

Training

Work-life balance

Employee communications and grievance

Value Outcomes (Quantitative/Qualitative KPI's)

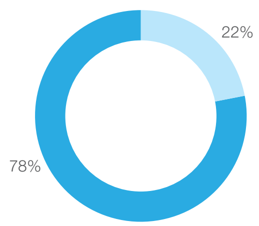
- Revenue per employee - Rs. 12.4 million
- Value added per employee - 4.1 million
- Profit per employee - Rs. 2.0 million
- GWP per employee - Rs. 12.4 million

Seventh anniversary celebration

Presentation of our first newsletter, 'Trust Link' to the Chairman

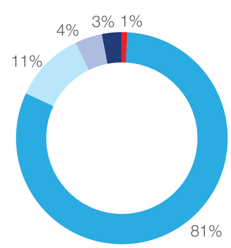
Christmas carols

RECRUITMENTS



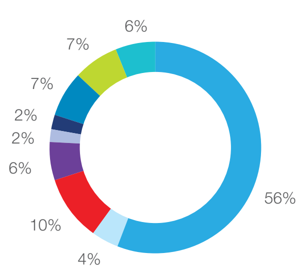
- Male
- Female

RECRUITMENTS - AGE WISE



- Below 20 years
- 20 to 30 years
- 31 to 40 years
- 41 to 50 years
- Over 50 years

RECRUITMENTS - PROVINCE WISE



- Western
- Uva
- Southern
- Sabaragamuwa
- North
- North West
- North Central
- Eastern
- Central

Recruitments

It is our policy to hire based on the candidate's suitability based on how well they qualify for the role vis-à-vis their qualifications, experience and best fit for PI's corporate culture. We recruit those who are best-qualified, demonstrate their capability to handle greater responsibilities and also the potential for growth and advancement. During the year under review PI recruited 84 male and 24 females employees totalling to 108.

Current employees (PI and the Group) are given the opportunity to apply for vacant positions should they meet the selection criteria for the specific vacancy. Occasionally, this may result in transfers across the Group and promotions to higher grades, enabling employees to take on more challenging job roles. Such cross-placements and transfers are made based on the results of our annual performance evaluation scheme.

Notably, however, current employees do not receive preferential consideration and in the interest of fairness and equality, it is the most qualified candidate (chosen from among internal and external applicants) who will ultimately be appointed to fill the role. Within these guidelines, we have also established a local hiring policy to meet the staffing requirements of our window offices across the country.

Meanwhile, in line with the rethink of our core business strategy, the HRD kicked of an aggressive recruitment drive to expand the sales force. At the same time, recruitment strategies were redesigned with the aim of attracting industry expertise particularly in business development and marketing fields. It is hoped that bringing in crucial talent in these fields would spearhead the Company's aim to become a leading player in the non-life insurance market.

Compensation and Benefits

Our high regard for our Human Capital is reflected in a sound compensation policy. Our benefit structure is on par with industry standards, which ensures that all employees are fairly and competitively compensated according to the nature of the job and their qualifications, experience and performance. Opportunities for pay increases are related to overall performance and commitment to corporate values, while promotions and performance bonuses are dependent on the individual employees' performance rating and contributions to the Company made during a given year. This reflects our responsible, long-term approach to develop working relationships with our employees and also points to our ongoing efforts to strengthen our employee retention ratio. Further, 100% female employees returned back to work after maternity leave.

In addition to their salary, our permanent employees are also entitled to a range or fringe benefits including;

- Medical insurance – Hospitalisation cover for the employee and immediate family, applicable for all staff grades
- Vehicle loans – Cars for executive and above grades and motor cycles for non-executive grades
- Telephone facilities – Applicable for marketing carder and other selected employees
- Gymnasium facilities – Applicable for all grades including contract employees
- Holiday bungalows at concessionary rates – Applicable for all grades
- Staff welfare society benefits – Death donations of Rs. 25,000 applicable for all grades

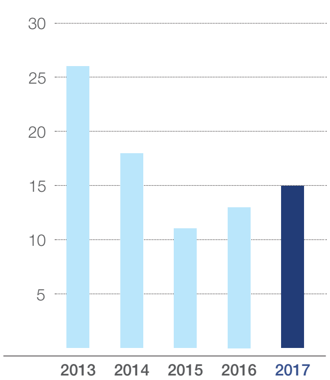
Tasked with bringing the Company's salary and benefit structure on par with industry benchmarks, the newly established HRD commissioned a third party to conduct an independent review our salary structure and make recommendations to reflect current competitive practices. The results of the study have been submitted to the Remuneration and Nomination Committee and are currently under review.

GRI 401 - 01 GRI 404 - 03

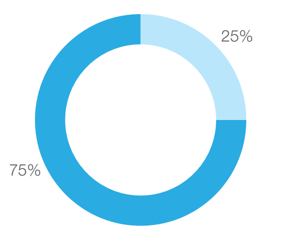
HUMAN CAPITAL

STAFF TURNOVER 2013 - 2017

%



STAFF TURNOVER - GENDER WISE



- Male
- Female

Rewards and Recognition

Going hand-in-hand with our performance-based approach is our rewards and recognition programme, which not only acknowledges high-performing employees but also seeks to foster a positive and productive working environment and encourage our people to always aim for excellence.

Using our annual performance appraisal mechanism covering all permanent staff, we identify high performers based on pre-agreed collective targets as well as individual targets set for the year. Performance evaluation at PI is a collaborative process, where supervisors and managers closely interact and engage with their teams to assess their performance against these set targets. High performers are identified through this process are promoted or offered higher remuneration. These high-achievers are also mentored to take up more challenging projects and hone their managerial skills to prepare them to take on greater responsibilities as the future leaders of the Company. Meanwhile, supervisors undertake to counsel poor performers and provide them constructive feedback and guidance on improving their performance standards on par with their peers.

To further support performance-based rewards and recognition, we also decided to invest in a dedicated HR management software specifically to monitor of employee performance throughout the year.

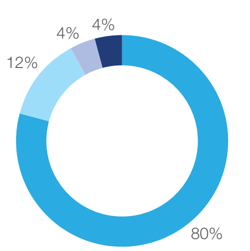
We are committed to the continuous development and education of our employees at all levels. Our training programmes aim to equip our staff with the skills and competencies to achieve our strategic objectives, prepare them for higher responsibilities and enable them to cope with changes in the business environment, insurance regulations, new technology and best practices. Our training programmes are designed to be effective and relevant in order to promote excellence in the skills and ensure effectiveness in the performance of duties and responsibilities.

Opportunities for professional training and development are made available through a combination of in-house and company-sponsored external training programs and courses that have a direct relevance to employees' current duties and functions, or to prepare them for a specific new function.

Our training model is based on three key pillars;

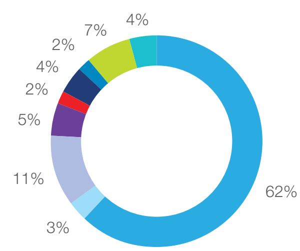
1. Internal training – Conducted regularly with the assistance of internal resources personnel drawn from the management and senior executive cadre, internal training covers specific and general training on sales and marketing, customer service, drawing up policy proposals, underwriting and claims management.

STAFF TURNOVER - AGE WISE



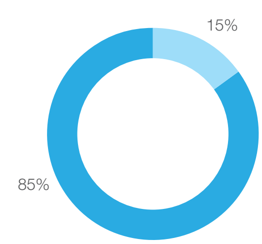
- 20 to 30 years
- 31 to 40 years
- 41 to 50 years
- Over 50 years

STAFF TURNOVER - PROVINCE WISE



- Western
- Uva
- Southern
- Sabaragamuwa
- North
- North West
- North Central
- Eastern
- Central

PROMOTION - GENDER WISE



- Male
- Female

2. Induction training – A comprehensive training programme for new recruits. Carried out mainly by internal trainers both from the Company and the Group, the programme exposes new recruits to the functional and cultural aspects of the Company through rotational on-the-job training, covering all departments at the Corporate Office. The programme also gives new recruits access to networking opportunities to build relationships with their peers and superiors.
3. External training – Designed to enable employees to stay updated with the latest developments and best practices in the industry, all external training programmes are carried out by renowned resource professionals and private and government training institutions and may even include overseas training exposure for selected employees.

In 2017, a total of Rs. 2.9 million was spent on training activities, where the focus was centred on boosting the skills and competencies of technical staff mainly through on-the-job training and knowledge sharing. During the year 21.94 and 9.84 training hours were extended to male employees and female employees respectively.

Meanwhile, efforts to enhance overall productivity at all levels of the business, we rolled out a '5S' programme in partnership with the National Productivity Secretariat. Phase 1 of the programme, which commenced in November 2017, was kicked off by the HR department.

Training Programme	Resource Person	Training Goals	Number of Employees	Employee Grade	Training Hours
Technical Training	Internal resource persons	Operational matters discussion/question and answers section	180	Senior management/ Executives/Non-executives	1,080
National Insurance Day Programme	IRCSL	Awareness session	40	Senior management/ Executives/Non-executives	40
Toastmaster session	PLC Toastmasters Club	To develop the soft skills of employees	28	Executives/Non-executives	56
Coffee with CEO	Mr. Deepal Abeysekara	Mutual understanding among all staff/corporate awareness	180	Managers/Executives/ Non-executives	180
Motor claims training	Internal resource persons	Enhance operational knowledge	150	Managers/Executives/ Non-executives	1,200
5S and productivity improvement	Ms. Ruwani Senavirathne - IPM	Awareness and implementation session on 5S	40	Senior management Managers/Executives/ Non-executives	80
Fire and miscellaneous training	Internal resource persons	Enhance operational knowledge	150	Senior management/ Managers/Executives/ Non-executives	900
Reinsurance training/ overseas	UIB Asia Reinsurance Pte Ltd.	Strengthen reinsurance ties and knowledge	1	Manager	60
Employee awareness session on new corporate logo and launching of media campaign	Mr. Prasanna Perera/Ms. Damini Bandaranayaka / Mrs. Mihirani Dissanayake	Awareness on new logo and the advertising campaign	420	Senior management/ Managers/Executives/ Non-executives	2,520

DRIVING THE BUSINESS

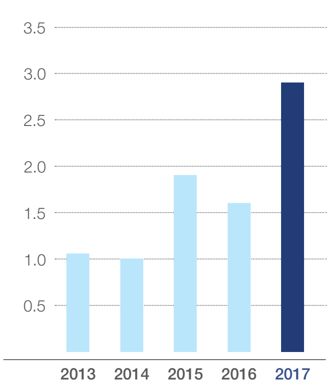
GRI 404 - 02

HUMAN CAPITAL

Training Programme	Resource Person	Training Goals	Number of Employees	Employee Grade	Training Hours
Mind education	Mr. Jae Hong Kim - IMEI	Mind lecture/group Discussion and presentations/mind recreation	1	Non-executives	4
Brest cancer awareness session	Prof. Aloka Pathirana	Awareness to prevent from breast cancer	12	Executives/Non-executives	36
Great Place To Work initiatives	Ms. Damini Bandaranaya	Implementation of great place to work	20	Senior management/ Managers	40
JD workshop	Internal resource persons	Basic principles of JD/ advantages of JD/How to prepare a JD	20	Senior management	60
Fire and miscellaneous training	Internal resource persons	Enhance operational knowledge	65	Executives/Non-executives	260
Budget seminar	Panel of lecturers from Inland Revenue Department	2018 Budget	2	Manager/Non-executives	7
Event management/ townstorming and out door campaign	Mr. Imran/ Mr. Sanjeewa Samarasinghe	Improve soft skills of employees	250	Senior management/ Managers/Executives/ Non-executives	1,000
Total training hours					**7,523**

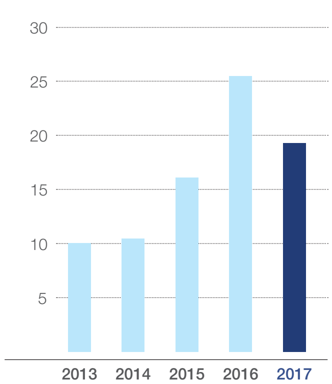
TRAINING INVESTMENT 2013 - 2017

Rs. Mn



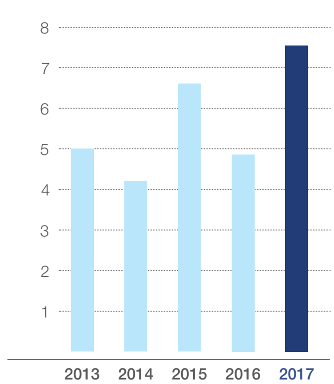
TRAINING HOURS PER EMPLOYEE 2013 - 2017

Hrs.



TRAINING COST PER EMPLOYEE 2013 - 2017

Rs. '000



Training for bancassurance staff

Work-life Balance

We believe adequate rest and recreation is the key to a productive workforce. As such, we continue to invest in the holistic wellbeing of our employees. Our work-life balance programmes are designed to ensure that our employees stay motivated and healthy at all times.

Within the workplace, our employees have the opportunity to focus on matters outside of their job roles through various committees and purpose driven task force units set up to handle sustainability, events, employee sanitation, hygiene and facilities etc.

Outside of the workplace too, we provide our employees with activities that strengthen camaraderie and promote community participation and personal growth. In 2017, many of our employees participated in the Company-sponsored sports activities such as inter insurance company six-a-side cricket tournament organised by the Sri Lanka Insurance Institute, SLIBFI Cricket Fiesta organised by UEC International Private Limited and SLIBFI Futsal Fiesta organised by UEC International Private Limited.

Employee Communications and Grievance Handling

The Board and management are committed to maintaining strong relationships with employees so that they remain fully involved in their work and committed to our customers and our goals. We offer them a safe and nurturing work environment where everyone is treated fairly and respectfully, and their opinions, concerns, and suggestions are heard and acted upon. Several policies, resources, and mechanisms are in place to help us resolve employee grievances and appeals, handle employee feedback, deal with disciplinary cases, and promote a better understanding of our operational policies and procedures, code of ethics, as well as the relevant industry laws and regulations.

Among the new developments for the year was the inaugural edition of the Company newsletter; Trust Link, which was launched in October 2017 to disseminate information on the Company's developments, employee movements as well as events and special messages from company officials, etc. The newsletter also acts a platform to foster creativity and innovation among our employees.

The 'Coffee with CEO' programme launched in September 2017 is yet another channel where employees can connect one-on-one with the CEO. The friendly and informal atmosphere facilitates exchange of thoughts, ideas, job concerns, etc. and provides the CEO with insights in order to motivate employees to become committed workers.

Employee Health and Safety

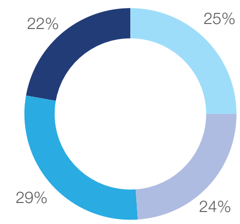
We subscribe to the health and safety policy to ensure our employees are protected against the dangers of injury, sickness or

Training on underwriting

Training for marketing staff on 'Service Excellence'

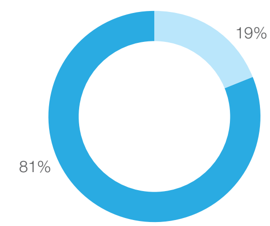
Coffee with CEO

SERVICE ANALYSIS



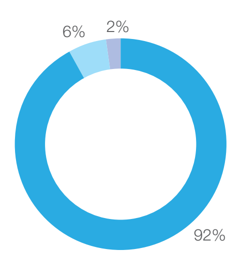
- Over 5 years
- 3 to 5 years
- 1 to 3 years
- Less than one year

GENDER



- Male
- Female

ETHNICITY

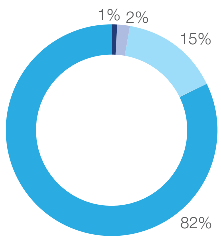


- Sinhalese
- Tamil
- Muslim

GRI 102 - 08 GRI 405 - 01

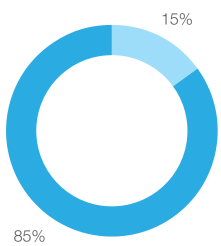
HUMAN CAPITAL

AGE



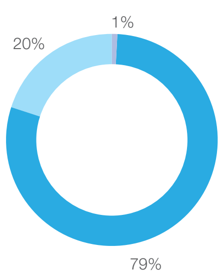
- Over 50 years
- 41 to 50 years
- 31 to 40 years
- 19 to 30 years

GRADE



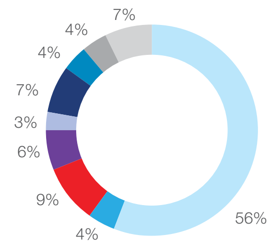
- Executive
- Non-executive

CONTRACT TYPE



- Permanent
- Probation
- Contract

LOCATION



- Western
- Uva
- Southern
- Sabaragamuwa
- North
- North West
- North Central
- Eastern
- Central

death, and that the workplace always remains safe, healthy and conducive to productivity. Mandatory first aid kits are available at all branches, while emergency procedures and evacuation plans in case of fire or other significant incident have also been established.

Further, we post regular health and safety bulletins on accident prevention and minimising cases of work-related ill health. These are also regularly emailed to all our employees and posted through our intranet system.

The task of implementing and reviewing these procedures is under the purview of our HR department.

Moving our corporate office operations to a state-of-the-art building also symbolises our intention to create a more conducive work space for our employees. The new over 20,000 square foot building is designed to provide a higher quality work environment for our staff, which we hope would lead to increased productivity and greater overall efficiency.

Company Culture

Trust and shared values are the foundation of our corporate culture. We expect our employees to emulate this culture of mutual trust to conduct themselves and perform their duties consistently with our core values in mind: professionalism, result orientation, loyalty and service excellence. PI strives to advocate the highest values and ethical practices amongst all employees at all times. As such, new recruits are presented with the Company's formal code of conduct at their induction trading, at which time they are expected to read, understand and sign this document.

Our diversity and inclusion initiatives also aim to further strengthen trust among employees across all of our operations. Our HRD has begun putting in place the right policies and procedures to ingrain diversity and inclusion and at all levels of our business. It is hoped that through these efforts we will be able to create an environment of mutual trust where all employees feel respected and valued.

To further demonstrate our commitment to this mutual culture of trust, we invited all of our employees to be a part of the launch of the Company's new logo prior to the public launch. Through this move, our aim was to deepen the bonds of trust and encourage employees to become active partners in the Company's future growth journey.

Further, we commissioned a 'GPTW (Great Place to Work) Survey' to assess employee satisfaction levels and gauge their perceptions regarding their long term prospects within the Company. The results of the study remain pending as at 31st December 2017.

FUTURE AGENDA

Having put in place the Company's core HR framework in 2017, the focus moving forward would be to build on these fundamentals and improve the robustness of our HR structure, in turn enhancing our Human Capital and cementing our position as an Employer of Choice in the local insurance industry. Achieving these objectives will require a considerable investment in training especially for technical staff along with added emphasis on developing the middle management talent pipeline on an ongoing basis.

SOCIAL AND RELATIONSHIP CAPITAL

For PI, social and relationship capital is an asset built through the collaborations and bonds forged with our customers, business partners and community.

No. of customers

139,267

No. of claims settled

41,895

Community based recruitments

80

SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMERS

As a non-life insurer, Social and Relationship Capital is an integral part of our business it measures the strength of the internal and external relationships that drive our day-to-day operations. We believe the relationships we form with our customers, business partners, regulators and the community are critical to our ability to sustain and grow our business in the long term.

MANAGING MATERIAL TOPICS

Managements Approach

As an insurance company, we recognise that our primary responsibility is to create value for our customers. In doing so, we also seek to raise the bar and create a robust, inclusive and responsible non-life insurance industry that offers stakeholders value and stability.

Using our expertise to truly understand the risks faced by individual customers and corporate clients in relation to environmental factors, our goal is to get things right the first time, every time. Accordingly, we focus on;

- Understanding customers and their financial services needs
- Providing the right solutions to fulfil their needs
- Being fully accountable for delivering on customer promises
- Take responsibility to assist and service customers efficiently and within an acceptable time frame

As part of this commitment, more recently, PI has also been aggressive in pursuing digital solutions to expand value outcomes for customers.

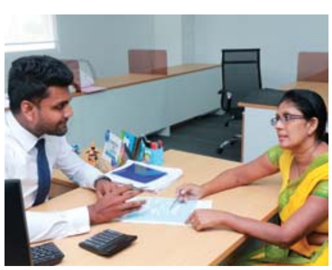
How it is Managed

A firm commitment to customer-centricity underpins our customer value creation model that is consistent with our goal to provide a fair, honest and equitable products and services to our customers in line with globally accepted best practices that safeguard customer rights. Actions are taken to bring greater focus to PI's material customer topics and integrate these aspects into the product planning and development process. This also serves as a mechanism by which to identify potential risks that may arise due to investments in new products and/or product changes, along with appropriate recommendations for mitigating such actions. In so doing, we are able to ensure that our products and services continue to be designed, marketed and delivered in a way that is fair, and adds to the overall well being of customers. In fact, thanks to this process, we are now able to design customised insurance solutions to attract new customers who would otherwise have not opted for insurance cover due to their lower disposable incomes.

Meanwhile, given the fact that PI is just branching out as an independent non-life insurer, we feel it is imperative that we achieve the right market positioning that we can then leverage on to increase our market penetration levels. As a first step to raise awareness regarding our brand and create market visibility for our products, in 2017 we initiated an aggressive mass media campaign coupled with the re-launch of our new logo. The joint campaign marks a turning point in our journey towards becoming an independent non-life insurer in the local market.

Following the roll out of the publicity campaign, we also began regularly engaging with our customers to obtain feedback. We expect to use this feedback to assist in ongoing enhancements to our products and services, in turn resulting in positive outcomes for our customers. For further information, please refer the Stakeholder Engagement section on pages 38 to 39 of this report.

First transaction at our new corporate office



Understanding our customer needs

Customer service

PROGRESS MADE ON TARGETS

CUSTOMER DEVELOPMENT INDEX

	2016	2017	Variance
Number of customers	130,513	139,267	8,754
Number of policies	151,736	164,206	12,470
Claims lodged (Number)	41,089	44,281	2,482
Claims settled (Number)	40,524	41,895	1,371
Claims settlements (Rs. Mn)	2,582	2,812	230
Number of customer complaints	6	6	0

VALUE CREATION MATRIX FOR 2017

Capital Inputs (Tangible/Intangible)	Strategic Value Drivers	Value Outcomes (Quantitative/Qualitative KPI's)
Enhancing Customer Reach 1 new regional office + 8 new window offices added to the network bringing the island-wide network as at 31st December 2017 to 3 and 99 respectively **Strengthening Claims Settlement Process** 24-hour claim settlement process + strengthening call centre and claim department resources along with assessor training **Amount Spent on Marketing and Communication Activities – Rs. 57 Mn** Marketing mix made up of above-the-line activities as well as below-the-line activities including one-on-one promotions, seminars, road shows and distribution of brochures and leaflets on product information	Comprehensive product portfolio Competitive pricing and efficient claim management Extensive value-additions Convenient access Customer communication Complaint management	• Number of policies - 164,206 • Customer complaints - 6 • Number of claim lodged - 44,281 • Number of claim settled - 41,895 • First commercial advertisement released to the public

Competitive Pricing and Efficient Claims Management

Given the increasingly competitive industry in which we operate, we strive to differentiate our offerings based on two key factors; price and claims management.

As a responsible corporate entity, we refrain from engaging in anti-competitive behaviour and guided by a formal pricing policy, we exercise a disciplined, consistent and cautious approach in pricing our underwriting offerings. During the reporting year, any incident of anti-competitive behaviour, anti-trust and monopoly practices were not reported. Our goal is to strike a balance between premium pricing and claim settlement risks in order enable our customers to benefit from the best in-class underwriting services at the right market price.

GRI 417 - 01

SOCIAL AND RELATIONSHIP CAPITAL

To ensure our claim management process remains efficient at all times, we follow a set of beliefs and responsibilities. To ensure that the customers' interest remains an utmost priority, the belief dictates that;

- Claims should be handled fairly and settled promptly
- The claim handling process is completely transparent and the customer is kept appraised regarding the progress of every stage of the claim handling process
- The customer is provided with a written explanation, in the event a claim is partially settled or rejected

Accordingly, claim processing handled centrally through our claim-processing unit, while a special claim panel consisting of the Technical consultant, Head of Operations, Head of Finance, Senior Manager - Legal and managers/senior managers in the respective line of business have been appointed to manage disputed and higher threshold claims. Unresolved claims, if any, are forwarded to the Insurance Ombudsman, a body established jointly by the Insurance Association of Sri Lanka and the Insurance Regulatory Commission of Sri Lanka (IRCSL).

CLAIMS SETTLEMENT 2017

	Claim Departments	Claims Pannel	Insurance Ombudsman
Claims lodged (Number)	44,281	64	6
Claims settled (Number)	41,895	64	6
Claims settlement (Rs. Mn)	2,812	292	2

Extensive Value Additions

All PI customers are privy to a range of value added services, thanks to our ongoing efforts to expand the suite of value enhancement offered to the customer. The synergies derived through our alliance with the People's Bank Group as well our investments to boost our digital infrastructure also make a significant contribution to this endeavour.

Key efforts for 2017;

- Tie ups with a number of leading vehicle agents and top repair garages across the country to arrange for customers to collect their vehicles prior to the release of the final repair bill
- Sign up with windscreen manufacturers to provide additional discount to customers
- Active promotion of the 'call-and-go' option to encourage private motorcar owners to make use of the facility and benefit from a faster response time in the event of a minor accident

Customer Communication

We ensure that our customers receive clear, understandable and accurate about our products and services at all times. We adhere to accepted best practices in providing all necessary and relevant information to our customers, enabling them to make informed decisions when transacting with us. All branch personnel are trained to handle inquiries about any information in a professional manner to explain risks relating to our products and services and to provide advice on financial matters. Further, insurance proposals are available in all three languages; English, Sinhala and Tamil to better understand the information for all ethnicities.

Our marketing strategy meanwhile seeks to increase non-captive market share in the highly competitive retail segment. Targeted promotional efforts are deployed from time to time to enhance our brand strength and create greater visibility for 'top-of-the-mind' recall.

MARKETING AND PROMOTIONAL ACTIVITIES FOR 2017

Medium	
Mass media	TV commercials, paper advertisements, radio
Digital media	Facebook updates and YouTube commercials, corporate website
Other promotional tools	Brochures, name-boards, hoardings, desk calendars, company T-shirts.

Among the key development in 2017 was the corporate website upgrade. Aimed at supporting the Company's migration towards becoming stand-alone non-life insurance operation, the upgrade focused enhancing the functionality of the website in order to drive up customer usage levels.

In the year under review, the Company was not reported of any incident of non-compliance with regulations and voluntary codes with respect to marketing communication.

Complaint Management

We welcome customer feedback and have established a number of channels for customers to connect directly with the company. These include a 24-hour call centre, our corporate website as well as social media channels such as Facebook, which have become increasingly popular in recent years.

As a customer-centric organisation, we are committed to ensure our customers receive the excellent service they deserve. Hence, we consider every concern raised regarding our service quality as a welcome opportunity to improve our services and make transacting with us more convenient, reliable and satisfying to our customers. Our well-trained resource personnel ensure that customer concerns are documented, studied, and above all promptly resolved.

In the reporting year, there were no complaints on breaching customer privacy and on loss of data and information.

FUTURE AGENDA

Given the intensely competitive non-life insurance market, one of the key priorities for the immediate future would be to further enhance PI's island-wide customer reach. Accordingly, plans are in motion to open a few new regional and window offices within the next twelve months.

This will be accompanied by consistent brand building activities and product awareness campaigns, while additional steps would be taken to strengthen the field sales force, all in a bid to grow retail market share. Meanwhile, special emphasis will be placed on streamlining operational processes in order to boost efficiency and productivity across the business.

GRI 102 - 10

SOCIAL AND RELATIONSHIP CAPITAL

BUSINESS PARTNERS

BUSINESS PARTNERS
- Insurance brokers/agents
- Reinsurers
- Vehicle agents/garages
- Financial institutions
- General suppliers

Management Approach

Our ambition to be a leading non-life insurer is to a large extent dependent on strength of our business partners. In our business, we work with a broad range of partners including insurance brokers, insurance agents, reinsurers, vehicle agents, garages, banks, financial institutions as well as vendors of general supplies including, stationery, furniture, security services and IT systems among others.

Given that all these stakeholders contribute to our success, we have heavily invested in developing the right collaborative partnerships that will enhance our competitive position in the market.

How it is Managed

Our common belief is that sustainable long-term relationships are built on mutual trust. As such, we engage in regular and ongoing dialogue with all our business partners, through which we promote the concept of shared values and reinforce the key message that 'we are all working towards a common goal; i.e. to do justice to PI's corporate vision.

In addition, we have adopted a disciplined approach towards managing our relationship capital supported by a dedicated structure to manage each business partner category.

Business Partner Category	Key Challenge	Strategies Deployed In 2017 To Address Challenge
Insurance brokers/ agents	Insurance agents or brokers moving on to competitors	Appointment of dedicated managers to handle insurance brokers and agents
Reinsurers	Bankruptcy of reinsurers	Retained the former Chief Operating Officer as Technical Consultant who has expertise in this area
	Non-settlement or delay of reinsurance claims	
General suppliers	The risk of procuring low-quality products	Continuous checks for quality and conformance

Insurance Brokers

As a policy, we choose to work with only the IRCSL registered brokers. Our broker selection process is clear and transparent. We follow a set of clear guidelines, underpinned by a strict due diligence process to assess their level of competency, past performance and ethical track record.

At the same time, we continue to invest in targeted broker development initiatives aimed at strengthening collaborative partnerships that could boost the volume of direct business in the long run.

In 2017, the broker channel, which consisted of 27 brokers, generated Rs. 65 million in premiums (1.5% of the total for the year), reflecting 63% increase over the previous year. A total of Rs. 7 million was paid out as brokering commissions in 2017, up by 40% from Rs. 5 million paid out in 2016.

Insurance Agents

We strive to work with only reputed insurance agents. As a minimum, we require all our agents to hold a Sri Lanka Institute of Insurance (SLII) certificate, which ensures they are bound by the rules set out by the IRCSL. Over and above this, all agents are required to strictly comply with the PI Code of Ethical Conduct for Sales Persons set out under our policy of work ethics.

We appointed a dedicated manager, Manager - Sales Force Development to develop the agency force in a structured manner who will liaise with agents and ensure they are kept abreast of the latest developments in our product suite. Manager – Sales Force Development also oversees agent-training activities to ensure agents are made aware of their proper job responsibilities and professional conduct required in discharging their duties. There were no reported material incidents of non-compliance with the Code of Ethical for Sales Persons Conduct as well as agent rules set by the IRCSL, during this period.

Meanwhile, to support our growing business, we increased agent portfolio with the appointment of 33 new agents, bringing the total number to 66 as at 31st December 2017. We now have agent representation in 19 districts across Sri Lanka.

In the year under review, our insurance agents generated premium income of Rs. 233 million (5% of our total premium income), 52% more than in the previous year. Consequently, Rs. 21 million was paid out as agent commissions 62% higher than the previous year, clear evidence of the broader economic prosperity created by our agent model.

Reinsurers

We exercise extreme caution in selecting reinsurance partners and only contract with globally reputed reinsurers who are backed by a strong track record and solid financials and are rated A- or above. In doing so, we collaborate with authorised reinsurance brokers to gain access to and negotiate with top rated reinsurers. To ensure our insurance risk is distributed, we maintain ties with a number of leading reinsurers. During the year under review, we worked with 13 reinsurers.

Vehicle Agents and Garages

Vehicle agents and garages have an important role to play in our motor segment business model. To support our customer service strategy, it is imperative that we develop a good rapport with all major vehicle agents and garages across the country. Accordingly, we have assigned a dedicated liaison officer to oversee capacity-building initiatives that would strengthen existing relationships and build new ones.

Further, we regularly leverage on established connections, especially with vehicle garages, to negotiate priority arrangements where the direct benefit can be passed down directly to our customers. Such agreements have also proved effective in building loyalty and forming more sustainable relationships for the long-term.

Other Vendors and Service Providers

Procurement of all general purpose items are handled through the central administration department of the Company. During the year, the Company transacted with 39 local suppliers for the procurement of stationeries, printing materials, furniture, fittings and other general supplies including janitorial and other Services. This department ensures that all procurement activities are in line with group standards and best practices. Accordingly, the department is responsible for the evaluation and selection of vendors or service providers and in doing is expected to promote greater transparency and ensure fair and equitable purchasing practices.

The duties and responsibilities of the administration department includes;

- Comprehensively documenting new vendor registration
- Validate the accuracy of supplier-self assessment criteria to ensure all new suppliers conform to PI's social and environmental guidelines
- The ethical responsibility to ensure supplier selection is done in conformity with international best practices as well as the Group's internal policy framework
- Promoting open dialogue to ensure suppliers understand and integrate with the Company's shared value culture
- Encourage supplier feedback and promptly address any issues raised

PROGRESS MADE ON TARGETS

BUSINESS PARTNER DEVELOPMENT INDEX

	2016			2017			2018
	Target Rs. Mn	Actual Rs. Mn	Variance Rs. Mn	Target Rs. Mn	Actual Rs. Mn	Variance Rs. Mn	Target Rs. Mn
Premium income generated through brokers	60	40	(20)	150	65	(85)	225
Premium income generated through agents	-	153	-	-	233	-	278
GWP/reinsurance ratio	8.0	8.1	(0.1)	8.3	8.9	(0.6)	10.4
Expenses incurred on local suppliers*	38	36	2	63	50	13	75

**Local suppliers include those who operating within the Sri Lankan territory only*

GRI 204 - 01

SOCIAL AND RELATIONSHIP CAPITAL

VALUE CREATION MATRIX FOR 2017

Capital Inputs (Tangible/Intangible)	Strategic Value Drivers	Value Outcomes (Quantitative/Qualitative KPI's)
Broker commissions paid - Rs. 7 million	Competitive commission rates	• GWP generated from agents - 51% growth
Agent commissions paid - Rs. 21 million	On time payment for business partners	• GWP generated from brokers - 62.5% growth
Reinsurance premium paid - Rs. 256 million	Long term, quality ties with business partners	• No. of Agents - 66
Payments to local suppliers - Rs. 50 million	Disclosure of relevant information to business partners	• No. of Brokers - 27
A dedicated manager was appointed to develop broker channel	Convenient access	• GWP/reinsurance ratio - 8.9%
A dedicated manager was appointed to develop the sales force, including agents	Business partner communication	• Local supplier expenses as a percentage of total supplier expenses - 100%
Employing technically competent technical consultant to handle reinsurers	Complaint management	
Sophisticated commission payment and general payment modules		

FUTURE AGENDA

Given the fact that PI's success depends to a large extent, on having the right business partners, the emphasis for the future would be to continue to strengthen relations with existing agent and broker channels. At the same time, new partnerships will also be pursued to complement PI's business diversification strategies.

Safeguarding the business against reinsurance risk will be another key priority for the future. In this regard, plans are underway to set up a technical learning library with the support of PI's main reinsurance brokers to ensure the Company's reinsurance model stays on par with the latest developments and global best practices.

GRI 102 - 18

COMMUNITY

MANAGING MATERIAL TOPICS

Management Approach

At PI, we recognise that our business activities have a significant impact on the wider social and economic wellbeing of the people of Sri Lanka. Therefore, we understand that in order for our business to grow sustainably, it is vital that we address these impacts in a responsible manner.

Our efforts are driven by our Corporate Social Responsibility (CSR) model, which provides the opportunity to contribute to the wellbeing of the communities in which we operate.

We undertake CSR activities that embody our commitment to translate our corporate success for the benefit of the broader community. This means, as a minimum, we will meet or exceed all relevant legislation. And where no legislation exists we will seek to develop and implement our own appropriate standards. Further, we are committed to measuring and improving our CSR performance on an ongoing basis and have undertaken to implement specific policies and procedures to monitor our performance, set targets for improvement and be transparent in reporting results.

At PI, CSR is considered a share responsibility, involving everyone in our company. We communicate our CSR policies, objectives and performance openly and honestly to our people and in doing so welcome their feedback. At the same time, we strive we to develop a CSR mindset by motivating our employees to extend personal goals beyond the workplace and do their part for the betterment of society.

How it is Managed

Stemming from our Sustainability Charter, we have put in place a comprehensive CSR strategy to embed into our operations, the PI vision, 'to be appreciated for building lasting trust based on strength, stability and sustainability'. This CSR strategy is brought to life through the integration of material socioeconomic aspects into our day-to-day operations, a process overseen by our Corporate Sustainability Committee.

Corporate Sustainability Committee

Corporate Sustainability Committee (CSC) consists of a three-member team, chaired by a member of the Corporate Management with the other two members selected from the management team.

The CSC is tasked with putting in place policies, standards, systems and human resources in conformity with best practices for socioeconomic development. The CSC, in collaboration with the sustainability coordinator and the sustainability troop, conducts an annual socioeconomic impact assessment, followed by the formulation of an annual CSR activity plan to manage the key social impacts in tandem with changes in the macro environment. The CSC together with management team is also responsible for strategy execution and monitoring progress against annual objectives set out as per the Board-approved action programme.

The CSC is also held responsible for reporting to stakeholders on the Company's progress on social sustainability issues, through regular disclosures, covering both internal and external reports, including the sustainability segment of the Company's Annual Report.

Donation of school bags for underprivileged students at Aranayake

Ice-cream Dansala organised for the fifth consecutive year

GRI 419 - 01

SOCIAL AND RELATIONSHIP CAPITAL

PROGRESS MADE ON TARGETS

COMMUNITY DEVELOPMENT INDEX

	2016			2017			2018
	Target	Actual	Variance	Target	Actual	Variance	Target
Investment in CSR activities (Rs. Mn)	1.5	0.6	0.9	2.0	0.6	1.4	2.5
Employee volunteer hours	500	486	14	550	527	23	600
Community-based recruitments	67	75	08	50	80	30	86

VALUE CREATION MATRIX FOR 2017

Capital Inputs (Tangible/Intangible)

Investment in CSR - Rs. 0.6 million

Employee volunteerism

Ongoing socioeconomic impact assessment

Reporting and disclosure

Strategic Value Drivers

Community recruitment practices

Educational support programme

Community engagement initiatives

Regulatory compliance

Value Outcomes (Quantitative/Qualitative KPI's)

- Employee benefits paid to community recruits in 2017 - Rs. 76 million
- Beneficiaries (Educational Support Programme 2017) - 100 students
- Rs. 94 million - Contribution (through taxes) to the national infrastructure development agenda
- ZERO – value monetary and non-monetary fines paid due to non-compliance of laws/regulations

Community Recruitment Practices

PI practices a community-based recruitment strategy to meet the staffing needs of branches and window officers located across the country. Accordingly, potential candidates residing in neighbouring communities, in-and-around our island-wide operations are given preference, subject to their ability to meet the required job selection criteria.

The initiative has shown a 100% success rate, with all staffing needs of our branches and window offices currently being met thanks to our community recruitment strategy.

Educational Support Programme

We firmly believe that education is the single-most powerful tool that can in still lasting change in society for the benefits of education would not only result in tangible value creation in the near term, but also materialise into progressive national development in the longer term.

The main focus of PI's educational support programme in 2017 was to assist disadvantaged students in rural schools through the provision of school supplies and day-to-day educational needs.

Community Engagement Activities

As part of our endeavour to make a positive impact on society, we specifically invest in social wellbeing initiatives that seek to deepen community ties and ultimately encourage people to work towards meaningful long-term social progress.

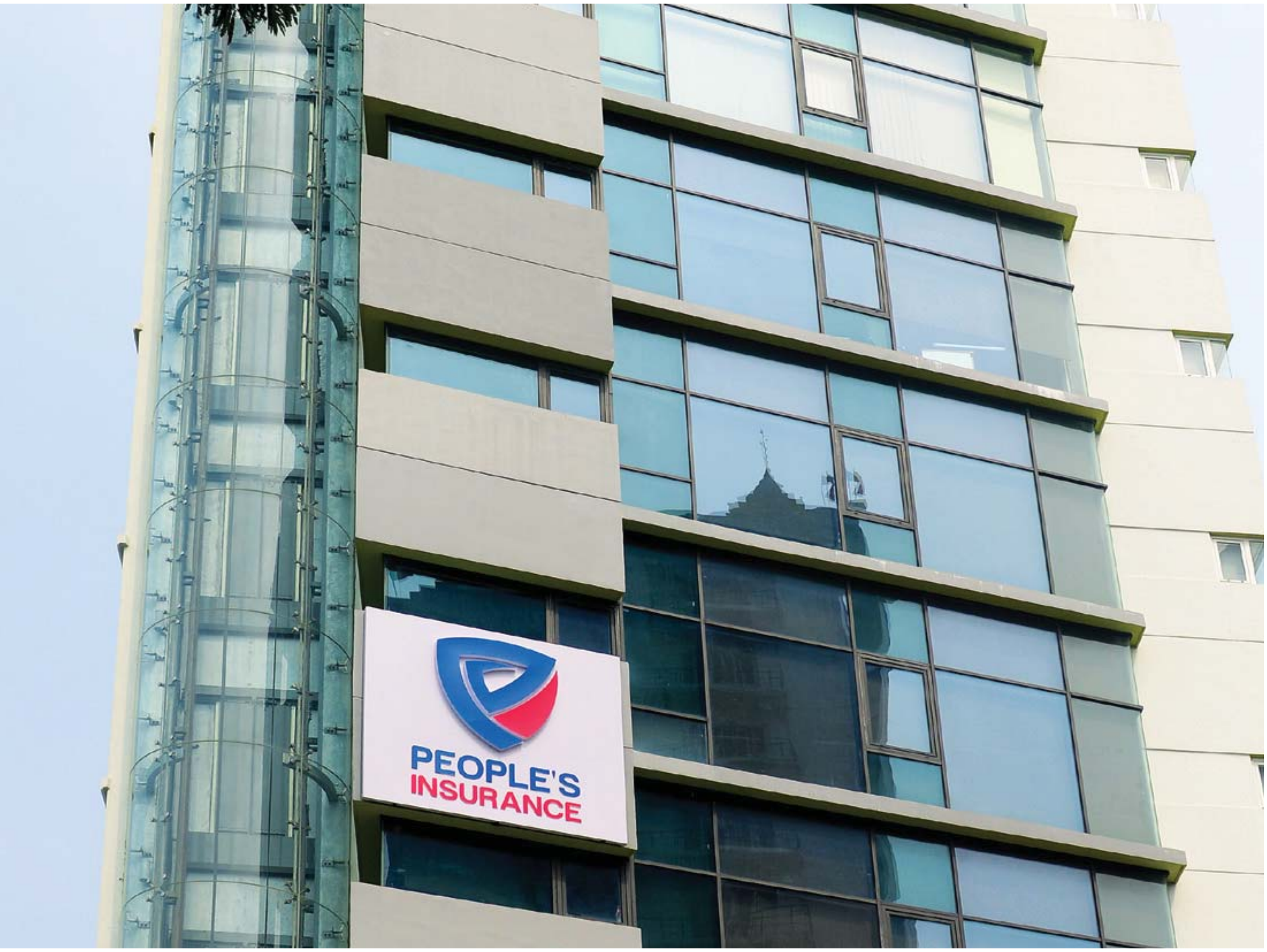
Regulatory Compliance

As a responsible corporate citizen, we recognise our obligation to comply with all applicable regulatory directives. We believe that the taxes we pay, provides income to the Government, in turn enabling the execution of a broader systemic social agenda.

Moreover, we engage in routine dialogue with regulators, which facilitates effective information exchange and also allow us to relay concerns while keeping regulators apprised on our socioeconomic priorities. These interactions further assist in sharpening our priorities cognizant to the country's long-term sustainable development goals.

FUTURE AGENDA

Moving forward, we would have a more structured approach to engage the community closely, with more activities and enhanced allocations. Community-based recruitments would be continued as a business strategy, benefiting both parties.



INTELLECTUAL CAPITAL

We have invested in technology and systems and processes, including an integrated user-friendly IT system to provide an outstanding service to our customers.

GWP generated through group

Rs. 4,187 Mn

Percentage of captitive business

88%

Investment in intangible assets

Rs. 1.2 Mn

INTELLECTUAL CAPITAL

We have identified our Intellectual Capital as being; our brand reputation; our institutional knowledge, IT software which determines our capability to develop new products and services. PI's corporate culture, governance framework; efficient operational processes and protocols; as well our integrated risk management practices, all of which are considered to be the building blocks of the Company's value creation model.

MANAGEMENT APPROACH

We recognise Intellectual Capital as a true business asset and manage it in such a way that would give the Company a significant competitive advantage. In fact, our approach to Intellectual Capital management is led by the desire to occupy a leading position in the non-life insurance market.

Taking each component of our Intellectual Capital, we invest time and money on strengthening each aspect separately. At the same time, we put in a concentrated effort improve their alignment with the PI vision and core values as well as the inter-connectivity between aspects to ensure they work in parallel to give PI a competitive edge.

HOW IT IS MANAGED

Regular investments to strengthen operational capacity at branch, department and corporate level, are all aimed enhancing our overall Intellectual Capital. Meanwhile, for the development of each component of its Intellectual Capital, PI has established clear policies, appropriate oversight procedures and authority limits to ensure effective results.

Further, we believe that knowledge sharing is the key to maximising in built knowledge which is a key component of Intellectual Capital, and as such are working towards encouraging the coordination of knowledge through the appointment of a research and development manager to;

- Promote sustained learning and innovative thinking in order to discover new and creative ways to apply current knowledge
- Apply the benefits of knowledge coordination to streamline product or service innovation processes
- Continuously evaluate new ideas and knowledge and develop appropriate plans to enact them in a way that would boost the Company's competitive position

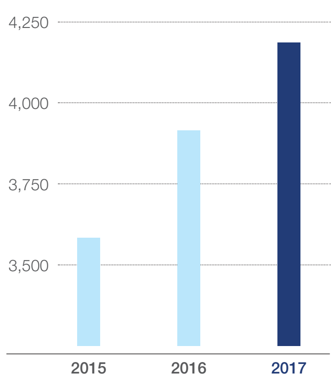
PROGRESS MADE ON TARGETS

INTELLECTUAL CAPITAL DEVELOPMENT INDEX

	2016			2017			2018
	Target	Actual	Variance	Target	Actual	Variance	Target
Captive business % (Group synergy)	89%	90%	1%	85%	88%	3%	80%
Investment in branding (Rs. Mn)	15	18	3	65	57	8	22

Our first-ever television commercial launched in October

CAPTIVE BUSINESS
Rs. Mn



VALUE CREATION MATRIX FOR 2017

Capital Inputs (Tangible/Intangible)	Strategic Value Drivers	Value Outcomes (Quantitative/Qualitative KPI's)
Investment on brand building - Rs. 57 million	Group synergies	• First commercial advertisement was released
Investment in HRIS system - Rs. 1.2 million	Brand guidelines	• Re-launched the Company logo
Relationships with parent and group companies	IT framework	• GWP generated through group - Rs. 4,187 million
	Employee code of ethics	• ISO 27001 Information Security Management System certification
	Company values and culture	

Group Synergies
PI is backed by two of the largest financial institutions in Sri Lanka - People's Leasing & finance PLC (our immediate parent) and People's Bank (our ultimate parent). As a result, we share a common identity represented by the iconic 'People's' brand. A name synonymous with trust and stability, the 'People's' brand enjoys legendary status in the country's financial industry. Sharing the brand equity associated with the 'People's' brand adds considerable value to PI's own Intellectual Capital. In addition to brand strength, the connection to the Group allows PI to benefit from a host of other synergies as well.

GROUP SYNERGISTIC BENEFITS

Wide distribution channel for greater outreach and trim overheads	Captive business base
Cross-selling opportunities to extend a versatile product	Collaborations in marketing campaigns and social and environment responsibility projects
Sharing expertise, experiences and best practices for better management	Cross placement job opportunities for career development
Inter-company training opportunities for employee to gain rounded skills	Collaborative procurement for better price negotiations and economies of scale

INTELLECTUAL CAPITAL

Brand Guidelines

In 2017, we launched a new logo that personifies the true security and protection that we promise to deliver to our customers. The new logo is a combination of our corporate initials 'P' and 'I' designed to form a shield that depicts the sense of security that we promise. The other elements contained in our logo symbolise the plethora of insurance products and services that we offer to our customers. Despite the change in the logo however, we have stayed true to the core elements of our identity. The colour blue from the previous logo and the colour red – our corporate colour, highlighting our uniqueness, albeit through this new look. Blue highlights our spirit, while red represents our energy, determination and courage. Together, they stimulate a sense of passion, optimism and confidence.

Our new tagline - 'Caring with Love' was also launched simultaneously to personify PI's role as an emerging player in the local non-life insurance market. Although the new tag line replaces the old one ('Building Lasting Trust'), our core values – Service excellence, Professionalism, Result orientation and Loyalty continue to be encapsulated in the new tag line as well.

To coincide with the launch of the new PI logo and tagline, we formulated a set of brand guidelines to protect the strength of our brand so that it continues to create value for the company. Our brand guidelines are comprehensive; in that it sets clear standards for anyone including employees, channel partners, designers and marketing agencies who use the PI brand and its components in their work. Our goal is to use the brand guidelines to build and reinforce a consistent perception of the PI brand among customers, suppliers, employees, investors, and the community. And we believe that these brand guidelines will play an important role in managing stakeholder perceptions of our company.

Launch of our new logo

IT Framework

Our IT framework, in recent years has become the driving force behind the way we conduct our business and make decisions that support PI's growth objectives. From managing our customer experience to delivering sustainable value to stakeholders, embedding leading risk management practices and creating a vibrant, high-performing and aspirational workplace for our employees - IT is playing an increasingly larger role in every aspect of our business. Our ambition is to digitally enable every aspect of our business across the Company, and have undertaken to do so via the following pillars;

- **World-class IT systems**

Our IT function which is a shared service from the Parent Company, People's Leasing & Finance PLC (PLC) consists of software support, software development, hardware support, network management, server management and disaster recovery site management. All these aspects of our IT framework conform to ISO 27001 Information Security Management System certification. Periodic internal audits are conducted along with renewal audits every three years to ensure continued compliance with the standard.

- **Market responsiveness**

PI's core-insurance system, developed by the ICT department of our immediate parent – PLC, is a dynamic platform that has the flexibility to create new products on request. However, as client behaviours and needs change, our intention is to be as responsive as possible to these changes to deliver a superior customer experience that will ensure we remain relevant and competitive at all times. Hence, we continuously work to refine our IT platforms to deliver what matters to customers by making decisions based on data analytics, promoting migration to mobile, and upholding the customers' right to benefit from continuous improvement, innovation, simplicity and safety.

The focus for the 2017 was to develop a robust online customer interaction platform. The key initiative for the year was the enhancement of the PI corporate website ensuring multi-device compatibility to enable users to access detailed product information, make claim intimations and request quotations for any product online. Improvements were also made to facilitate connectivity to PLC online customer portal for users to access PI's online Travel Insurance module and online payment platform.

Further efforts to reach out to customers included the launch of PI's social media presence through Facebook, YouTube and LinkedIn platforms.

- **Operational efficiency and cost optimisation**

We continue to leverage on technology in search of new and more efficient ways to improve the way we work and reduce the cost of our day-to-day operations. In 2017, we began work on a new end-to-end Human Resource Information System (HRIS) that would cover all aspects of the HR process, starting from the interview to the payroll, performance management, etc. Once fully installed, the fully integrated HRIS is expected to deliver substantial cost savings for the Company.

Work also started on 'e-memo', a new mobile app-based MIS module to enable senior management to stay updated on company happenings, on the go. The other major investment for the years was the development of the 'Advisory Tracking System' through which employees can maintain a log of all the system and operational issues encountered during their work. The aim of the project is to identify and correct operational gaps as well as to measure post-correction efficiency and resulting cost reduction levels.

Corporate Values and Culture

As a non-life insurer, our business is built on trust. As such, it is critical that every aspect of our business reflects PI's core values as well that of the Group. Company values are developed at the inception of the Company by the Board of Directors and over the period of time rutted to all layers of employees. We make sure our employees understand these core values and develop the behaviour needed to support them by giving proper training at the orientation programme and trough other means of employee communications. Embedding high standards of ethical behaviour, the Code of Conduct offers guidance and support to employees to make them understand the importance of safeguarding the reputation and long-term success of our business.

FUTURE AGENDA

Our focus would be on continuing our tried and tested business model, supported by Group synergies. Brand building activities kicked-off in the previous year, would be continued for an enhanced brand image, though at a lower scale. Continuous improvements to our systems and processes are on the agenda, while implementation of '5S,' would be a priority for the immediate future which is expected to improve our efficiencies, critical for an insurance service provider.

NATURAL CAPITAL

Although as a service provider our business has no major direct impact on the environment, we believe it is critical that we do our part to preserve the environment.

Paper waste recycled

1,892 kg

E-waste recycled

30 kg

Carbon footprint

478 tCO_2e

MANAGING MATERIAL TOPICS

Management Approach

Although as a service provider our business has no major direct impact on the environment, we understand just by being in business, we are in fact utilising natural resources like energy that result in emissions, and generating waste through our use of paper in our day-to-day work. Hence, we believe it is critical that we do our part to preserve the environment.

Our contribution to the protection of the environment has two dimensions; internal and external. The internal dimension refers to the strategies in place to minimise the environmental footprint resulting from our day-to-day operations. As a first step, we have implemented 3R principles to Reduce, Reuse and Recycle wherever possible and practical.

The external dimension meanwhile, takes into account our efforts to raise environmental awareness among key stakeholders and the community, and also to participate in national environmental programmes conducted in the interest of conserving the environment for future generations.

How it is Managed

In order to satisfy these objectives, we have established a series of environmental policies, goals and practices to direct our activities, both within and outside the scope of our business to redirect our focus to areas where we are able to instigate meaningful change and secure sustainable progress by;

- Complying with all applicable environmental regulations and best practices for environmental management
- Reducing potential impacts on the environment by improving services and products, where possible
- Undertaking preventive or corrective measures for more productive use of resources
- Raising awareness among employees on environmental issues

These general objectives are achieved by applying control, monitoring and measurement methods for all processes by defining specific measurable management objectives in line with best practices for environmental management. Further, we remain committed to the ongoing improvement of these policies and procedures in compliance with the national regulations in effect. This includes measuring the environmental impacts resulting from our operations to identify areas for improvement and ensuring all employees follow the established protocols.

PROGRESS MADE ON TARGETS

CUSTOMER DEVELOPMENT INDEX

	2016			2017			2018
	Target	Actual	Variance	Target	Actual	Variance	Target
Paper recycled (kg)	500	704	204	1,000	1,892	892	1,500
Carbon footprint (Tonnes of CO_2 equivalent)	160	373	213	336	478	142	573
Carbon footprint intensity	1.25	1.13	0.12	1.12	1.23	0.11	1.1

VALUE CREATION MATRIX FOR 2017

Capital Inputs (Tangible/Intangible)	Strategic Value Drivers	Value Outcomes (Quantitative/Qualitative KPI's)
Resource efficiency based on the environmental guidelines outlined by the Sustainability Charter Partnership contracts with CEA-approved waste recycling companies	Energy and water management Paper saving Waste recycling	• Non-violation of any environmental law and not subject to any fine • Increase forest cover with 400 trees • Maintain the carbon footprint at the level of tonnes 478 CO_2 equivalent • Interactive web based solution

GRI 302 - 01, 03 GRI 306 - 02

NATURAL CAPITAL

Energy and Water Management

Energy consumption and its outcome, greenhouse gas emissions are among the major environmental aspects deemed important for PI. Becoming an energy efficient organisation is one our foremost priorities. As such, we aim to use energy more economically by engaging in practices that enable energy efficiency and reduce the amount of energy consumed in our day-to-day operations. Meanwhile, with our energy consumption likely to increase in tandem with our growing business, we are now actively looking to invest in energy efficient infrastructure and raise awareness among employees to promote the efficient use of energy at all times.

Measurement and monitoring are the other key components of our energy management framework. Energy figures collected and reported are divided into two main groups; the direct consumption of electricity used for lighting and cooling purposes and the fuel used for transportation purposes. In 2017, our electricity consumption reached 422,453 kilowatt-hours whilst fuel consumption stood at 12,749 litres, compared to 357,372 kilowatt-hours and 8,263 litres respectively for 2016. Energy intensity reached 1,092 kWh per employee during the year compared to 1,083 kWh in 2016 with increased capacity in new location. While the higher figures are indicative of our growing business, it brings to fore the more pressing problem; that of our increasing carbon footprint, once again prompting renewed focus on energy efficient solutions.

PI has a limited water consumption compared to manufacturing companies. Water consumption in our business is mainly, the water used by the employees, water used in cleaning activities and irrigation used in the maintenance of landscapes. Hence, our water use does not have significant impact on a specific water source.

Paper Saving

As a service organisation, our business consumes large volumes of paper in our day-to-day operations. However, in an attempt to reduce the volume of paper consumed each day, we are constantly looking for ways to use paper more efficiently. Staff is encouraged to minimise photocopying, to opt for double-side copies or use scrap paper whenever possible and appropriate. Emails are only printed when necessary. And, in a further effort reduce paper usage, we recently facilitated customers to obtain quotations from the Company electronically through our web site. Thanks to the strict application of these instructions, a considerable slow down in the volume of paper consumed has been noted over the past two years.

Meanwhile, taking the first steps towards becoming a paperless office, we have also begun investing in digital technology to help reduce the volume of paper. As part of this commitment, a new intranet solution was rolled out in 2017 to manage internal communications within the PLC Group.

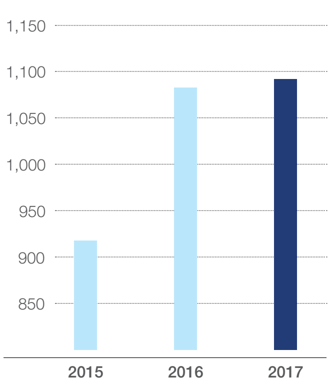
Waste Recycling

Although our management systems are designed to minimise waste as much as possible, we do still generate a considerable volume of paper waste and E-waste as a result of our day-to-day operations. To reduce our environmental footprint, we promote waste recycling wherever possible and practical.

Paper waste and E-waste are collected in bulk and sent regularly to Amana Paper Collections (Private) Ltd. and Green Links Lanka (Private) Ltd. respectively for secure disposal. The volume of paper waste sent for recycling has grown over the past few years, with 1,892 kg being sent for recycling in 2017, the highest recorded to date, along with approximately 30 kg of E-waste.

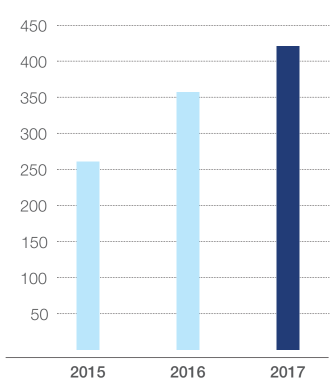
ENERGY INTENSITY

Kwh



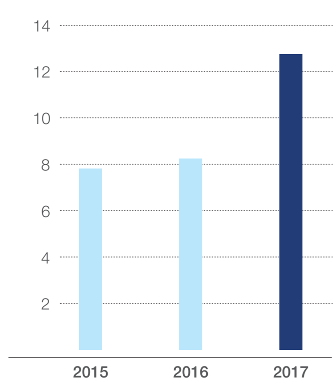
ELECTRICITY CONSUMPTION

Kwh '000

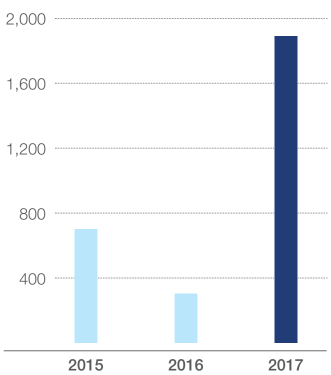


FUEL CONSUMPTION

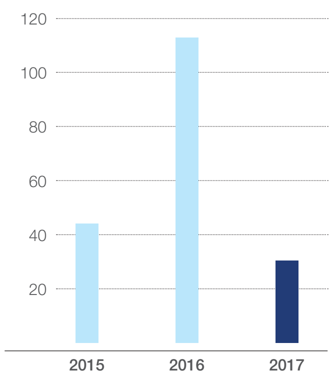
L '000



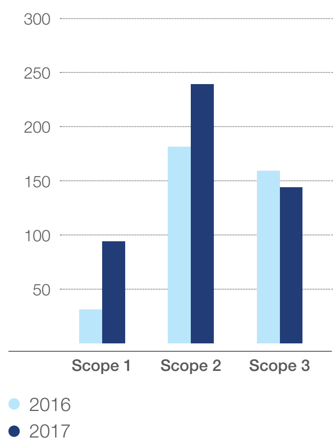
PAPER SENT FOR RECYCLING
kg



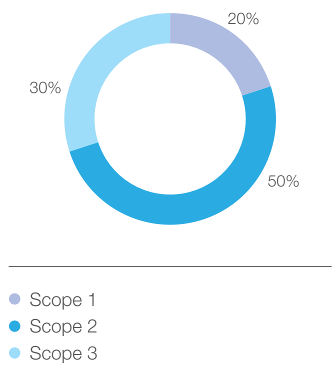
E-WASTE SENT FOR RECYCLING
kg



CARBON FOOTPRINT ASSESSMENT PROFILE
tco_2e



CARBON FOOTPRINT - ASSESSMENT PROFILE 2017

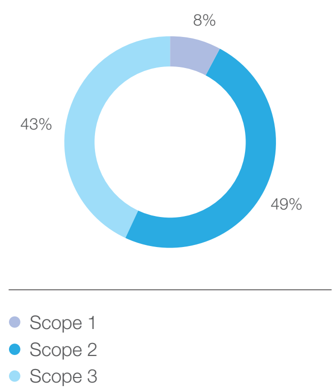


Carbon Footprint Calculation

We are aware that the key to reducing our carbon footprint is identifying and measuring the direct environmental impact resulting from the core business. To do this, we have aligned our strategies to our parent; People' Leasing & Finance PLC's carbon neutral initiatives and as such measure our impact vis-à-vis the 'GHG Protocol, ISO 14064:2006' standards. Accordingly, under the guidance of the Sri Lanka Climate Fund, we have begun tracking the GHG (Green-House-Gas) emissions, covering our corporate office and branch operations, with 2015 figures used as a baseline year of measurement.

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

CARBON FOOTPRINT - ASSESSMENT PROFILE 2016



GREEN HOUSE GAS EMISSIONS AND INTENSITY

Scope	Description	Emission (Tonnes of Co_2 Equivalent)		
		2017	2016	2015
Scope 1: Direct GHG Emissions				
	Emission from company owned vehicles - business purposes	19	7.88	10.79
	Emissions from refrigerants	72	23.46	-
	Employee travel to and from office on company owned vehicles	3	-	7.04
	Emission from generators	1	-	-
	Total – scope 1	94	31.34	17.83

GRI 305 - 02, 03, 04

NATURAL CAPITAL

GREEN HOUSE GAS EMISSIONS AND INTENSITY

Scope	Description	Emission (Tonnes of CO_2 Equivalent)		
		2017	2016	2015
Scope 2: Indirect GHG Emissions	Purchased electricity	240	182.26	62.2
	Total scope 2	240	182.26	62.2
Scope 3: Other Indirect GHG Emissions	Emissions from water consumption	1	0.468	0.32
	Paper recycling	-	0.015	0.02
	Overseas business travel	1	0.766	1.41
	Business purpose travels (outsourced vehicles)	8	11	9.45
	Electricity T & D Loss	26	22.782	8.09
	Employee commuting	108	124.274	33
	Emission from generators	-	0.405	0.58
	Total scope 3	144	159.71	52.87
	Carbon footprint (Scope1+2+3)	478	373.31	132.9
	Carbon footprint intensity – emissions per employee	1.23	1.13	0.468

FUTURE AGENDA

Moving forward, the main focus would be to minimise the direct impact on the environment resulting from business growth. To achieve this goal, the Company expects to offset the carbon credits earned through PI's ongoing investment in the 'One million Trees' project.

Green Projects

As part of the ongoing commitment to reduce our environmental footprint, in 2017, 400 trees were planted with the Company's sponsorship under 'One million Trees' programme, a national endeavour by Sri Lanka Climate Fund to increase Sri Lanka's forest cover from 29% at present to 32% by 2025.

Our five-year commitment to the project would enable PI to begin earning carbon credits and offset our environmental footprint.

Encouragement of energy saving and employee health

Tieing-up with the Sri Lanka Climate Fund for the tree planting project

Planting trees under 'One Million Trees' programme

CHALLENGES IN MANAGING CAPITALS

	CHALLENGES	ACTIONS TAKEN
FINANCIAL CAPITAL	• Fund management in a highly volatile market • Fulfilment of additional capital requirements	• Prudent financial discipline in management of funds • Utilisation of capital wisely, also considering regulatory requirements
MANUFACTURED CAPITAL	• Space constraints in the previous corporate office, limiting business expansion • Limited regional office network, limiting business expansion	• The corporate office was shifted to a new location with more space and better working environment • Established a new regional office at Anuradhapura, with plans underway to open up more branches in selected strategic locations across the country
HUMAN CAPITAL	• Difficulty in recruiting qualified and experienced people with the right fit for the Company's culture • Compensation and benefits • Training and development • Retaining experienced and qualified staff	• Establishment of a new HR department within the Company to develop Human Capital more strategically • Conduct of an industry salary survey through an independent professional firm • Close study of specific training needs of staff and set out a comprehensive training agenda that includes internal and external training programmes
SOCIAL AND RELATIONSHIP CAPITAL	• Loss of agents to competitors • Non-settlement of reinsurance receivables due to bankruptcy of reinsurers • Lack of visibility in the market • Reduction in customer disposable income • Change of community perception on the Company	• Appointed a dedicated managers to oversee the agency force and broker channel • Maintain strategic ties with reinsurers, rated A- or above • Brand awareness campaign (ATL and BTL) to create awareness and build visibility • CSR activities and follow ethical standards
INTELLECTUAL CAPITAL	• Lack of brand awareness • High dependency on group businesses	• Launch of brand awareness campaign with the launch of the new corporate logo • Proactive strategies to increase the volume of non-captive businesses, including appointment of dedicated managers for key business channels
NATURAL CAPITAL	• Increase in the usage of paper and electronic equipments with the business expansion • Increase in the carbon footprint with the business expansion	• Recycle of paper and E-waste • Planting trees to reduce the carbon footprint using carbon credits • Use of technology to reduce paper waste

TRADE-OFF BETWEEN CAPITALS

An important consideration in managing the PI's capital inputs and outcomes, is the trade-offs between capitals and stakeholders. We recognise that a decision in favour of one stakeholder can have a significantly negative impact on another – more so over time – and therefore needs careful consideration and active management. As such, we actively focus on balancing the interests of the various stakeholders for long-term sustainability.

The key trade-offs applicable to PI's operations are reflected in the table below. These trade-offs have a direct impact on the value created for the stakeholders through our material capitals. The table indicates which capitals are affected by each trade-off, how it impacts the respective capitals and the strategies through which the trade-offs are managed.

Trade-off	Capitals Affected	Impact	Management Strategies
Profitability Vs. Appropriateness of product	Financial Capital Social and Relationship Capital	Wealth creation for customers may at times be in conflict with wealth creation for shareholders. PI provides a wide range of products and services to meet customer needs. However, the profitability of these products vary considerably, for example, the appropriate solution for a specific customer might be lower margin products, which results in lower revenue for both the Company and in turn the shareholders.	Responsible products and services
Profitability Vs. Employee Expenses	Financial Capital Human Capital	PI continues to invest in recruiting of new sales staff and managers in order to support the growing business. The resulting payment in terms of salaries and other benefits will reduce the Company's cash flow. Therefore, to attract and retain the best skills, it is important to continue to invest in building capacity to pave the way for employee growth. This will in turn improve productivity and ultimately optimise profitability, leading to better shareholder value over the long-term.	Human capital development
Profitability Vs. Infrastructure	Financial Capital Manufactured Capital Social and Relationship Capital Human Capital	Moving PI's corporate office to a new building will reduce the Company's financial capacity due to the increased cost of rent. However, the Company's presence in the new building will improve market visibility, enable a more convenient customer service and comfortable work environment for employees.	Responsible products and services
Cost efficiency Vs. Innovation	Financial Capital Intellectual Capital Social and Relationship Capital	PI operates in a competitive and fast-changing environment. In this context, meeting the changing needs of customers requires investment in product innovation, new distribution channels, especially technology-led digital distribution platforms and business intelligence models. These investments come at a cost to shareholders but have a positive impact on new business potential and customer retention, as well as PI's reputation as a digitally advanced insurance brand.	Responsible products and services

Trade-off	Capitals Affected	Impact	Management Strategies
Regulation Vs. Profitability	Financial Capital Social and Relationship Capital Intellectual Capital	Operating in a highly regulated industry such as insurance, our business is subject to frequent regulatory changes. These regulations come at a high cost of implementation and compliance that must be at the cost of return to the shareholders. Nonetheless, a strong track record of regulatory compliance boosts customer confidence and builds trust in the brand.	Good governance practices
Return on Capital Vs. Solvency	Financial Capital Social and Relationship Capital	Reducing our capital base can increase the return we offer to shareholders. This, however, needs to be balanced against the risk of becoming insolvent in adverse conditions.	Strengthen the Company's solvency position
Returns to shareholders Vs. Environment	Financial Capital Natural Capital Intellectual Capital Manufactured Capital	In the process of delivering product to customers, it is likely that some of our efforts can have a negative impact on the environment, either directly or indirectly. To address the direct impact, we have invested in digital technology and upgraded our website to reduce waste and effluences. The Company managed to maintain a reasonable carbon footprint with the expansion of the capacity, facilitating the business expansion. At the cost of the Company, a project generating carbon credits was initiated and expects to set-off against the carbon footprint which consumes financial resources. On the other hand, thanks to these efforts and group initiatives, PI belongs to a carbon neutral group which contributes to the overall brand reputation.	Good governance practices

GRI 201 - 01

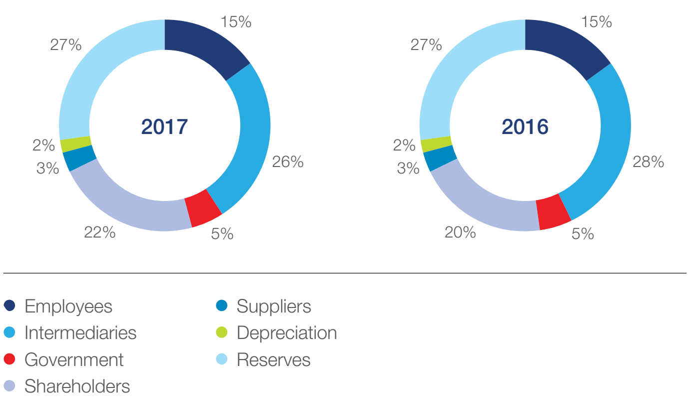
VALUE ADDITION AND DISTRIBUTION

In the financial year 2017, a total value of Rs. 1,597 million was generated as set out in the value added statement, corresponding to an increase of 19% over the value created in 2016. Out of the total value generated, Rs. 1,197 million representing 71% was re-distributed to key stakeholders with the bulk of 26% as commission to insurance intermediaries, followed by 22% as dividend to shareholders. The sum retained and reinvested within the operation was Rs. 450 million, corresponding to 29% of the total value generated to be used for replacement of assets and investment purposes.

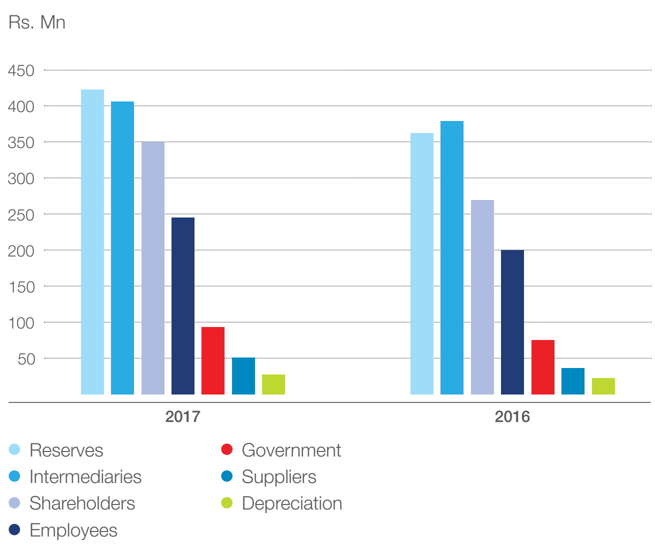
VALUE ADDED STATEMENT

Value Addition	Trade-off Between Capital	2017		2016	
		Rs. Mn	%	Rs. Mn	%
Net earned premium	-	4,097	-	3,723	-
Other revenue	-	694	-	527	-
Net claims	-	(2,841)	-	(2,628)	-
Cost of external services	-	(353)	-	(275)	-
Total value added	**-**	**1,597**	**-**	**1,347**	**-**
Value distribution					
Employees - salaries and other benefits	Human Capital	246	15	201	15
	Financial Capital				
Intermediaries - insurance commissions	Social and Relationship capital	407	26	380	28
	Financial Capital				
Government - taxes	Social and Relationship capital	94	5	75	5
	Financial Capital				
Shareholders - dividends	Social and Relationship capital	350	22	270	20
	Financial Capital				
Suppliers - payments	Social and Relationship capital	50	3	36	3
	Financial Capital				
Retained value					
Depreciation	Financial Capital	27	2	22	2
Reserves	Financial Capital	423	27	363	27
Total value distributed and retained		**1,597**	**100**	**1,347**	**100**

VALUE DISTRIBUTION



VALUE DISTRIBUTION



CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

SUSTAINABLE DEVELOPMENT GOALS

SDG	Approach	Page Ref.
1 No Poverty	With the indirect holding of the Government, the Company distributes a substantial amount as dividends and remits a substantial amount as tax as a responsible tax payer to the Government and that contributes to enhance the Government ability to reduce poverty in the country. Further, insurance products facilitate business development in the country	Value Addition and Distribution on page 146 Business Report on pages 97 to 100
3 Good Health and Well-Being	The Company offers healthcare policies which enhances the standard of health among community	Main Products on page 9
4 Quality Education	Assist disadvantaged students in rural schools through the provision of school supplies and day-to-day educational needs	Social and Relationship Capital on page 132
5 Gender Equality	Equal opportunity employment	Human Capital on page 115
8 Decent Work and Economic Growth	Build a talented and loyal team through the promotion of fair, responsible and transparent work ethics and best practices for employee development	Human Capital on page 118
	Building relationships with insurance brokers and agents across the country	Social and Relationship Capital on page 128
9 Industry, Innovation and Infrastructure	Continuously working to refine IT platforms in order to deliver what matters to customers by making decisions based on data analytics, promoting migration to mobile and upholding the customers right to benefit from continuous improvement, innovation, simplicity and safety	Social and Relationship Capital on page 126
10 Reduced Inequalities	Channel expansion strategy that will enable PI by better responding to needs of different customer segments across Sri Lanka	Manufactured Capital on page 112
	Regular engagement with customers to obtain feedback to assist in ongoing enhancements to products and services, in turn resulting in positive outcomes for our customers	Social and Relationship Capital on page 124
11 Sustainable Cities and Communities	Community-based recruitment strategy to meet the staffing needs of branches and window officers located across the country	Social and Relationship Capital on page 117
12 Responsible Consumption and Production	The Company always encourages efficient use of energy	Natural Capital on page 140
13 Climate Action	Minimise the environmental footprint resulting from our day-to-day operations, while raising environmental awareness among key stakeholders and the community, and also participating in national environmental programmes conducted in the interest of conserving the environment for future generations	Natural Capital on page 142
15 Life on Land	The Company contributed to grow 400 trees to increase the forest cover in Sri Lanka	Natural Capital on page 142
16 Peace, Justice and Strong Institutions	The Company conducts ethical, responsible transactions with customers and business partners and complies with all applicable regulatory and statutory requirements	Social and Relationship Capital on pages 127 to 132

Tapping the Results

Making a permanent mark in the industry, we have etched our brand of business in every venture that we undertake

FINANCIAL REPORTS

FINANCIAL STATEMENTS

FINANCIAL CALENDAR

	2016	2017
Dividends		
First interim dividend paid	05 October 2016	22 September 2017
Second interim dividend paid/payable	16 March 2017	In March 2018
Final dividend paid	11 July 2017	-
Final dividend proposed	-	In April 2018
Financial Statements		
Interim financial statements – First quarter	12 May 2016	27 April 2017
Interim financial statements – Second quarter	10 August 2016	03 August 2017
Interim financial statements – Third quarter	03 November 2016	26 October 2017
Interim financial statements – Fourth quarter	08 March 2017	16 February 2018
Audited financial statements for the year	30 May 2017	08 March 2018
Annual General Meeting (AGM)		
8th Annual General Meeting	30 June 2017	-
9th Annual General Meeting	-	29 March 2018

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 155.

As per sections 150(1) and 151 of the Companies Act, the Directors of the Company have a responsibility for ensuring that the Company keeps proper books of accounts of all the transactions and prepare financial statements that give a true and fair view of the state of affairs of the Company as at the financial reporting date and of the financial performance for the year and place the same before the Annual General Meeting.

The financial statements comprise the statement of financial position as at 31st December 2017, 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 2017; and
2. The financial performance 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.
4. The information required by and otherwise complies with the Companies Act No. 07 of 2007, Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto and the Listing Rules of the Colombo Stock Exchange (CSE) or requirements of any other regulatory authority are provided in full.

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

The financial statements of the Company have been certified by the Chief Financial Officer, the officer responsible for their preparation as required by section 150(1)(b) of the Companies Act. In addition, the financial statements of the Company have been signed by two Directors on 15th February 2018 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 2017 prepared and presented in this Annual Report are consistent with the underlying books of accounts and are in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act and Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto.

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

As required under section 56(2) of the Companies Act No. 7 of 2007, the Board of Directors wish to confirm that they have authorised the distribution of the interim dividends paid as well as the proposed final dividend after being satisfied that the Company will be able to satisfy the solvency test immediately after such distributions are made in accordance with section 57 of the Companies Act No. 7 of 2007 and have obtained

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

certificates of solvency from the external auditors in respect of dividends paid.

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

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

COMPLIANCE REPORT

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

By order of the Board

Rohan Pathirage
Company Secretary

15th February 2018
Colombo

CEO'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), 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 controls and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. The internal audit department conducts periodic audits to provide reasonable assurance that the established policies and procedures of the Company are consistently followed. However, there are inherent limitations that should be recognised in weighing the assurance provided by any system of internal controls and accounting.

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

The financial statements of the Company were audited by Messrs. Ernst and Young, Chartered Accountants and their report is given on page 155 of this Annual Report.

We confirm that;

1. To the best of our knowledge, the financial statements, significant accounting policies and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of the operations and the cash flows of the Company during the period under review.
2. The Company has adequate resources to continue in operation and have applied the going concern basis in preparing these financial statements.
3. The Company has complied with all applicable laws, regulations and prudential requirements and there is no material non-compliance.
4. There are no material litigations that are pending against the Company other than those disclosed in Note 47 of the financial statements of this Annual Report.
5. All taxes, duties, levies and all statutory payments by the Company and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company as at 31st December 2017 have been paid or where relevant provided for.

Deepal Abeysekara
Chief Executive Officer

Nilushan Somarathna
Chief Financial Officer

15th February 2018
Colombo

IBNR AND LAT CERTIFICATION

nmg CONSULTING

People's Insurance PLC 31 December 2017 Net IBNR and LAT Certification

I hereby certify that the undiscounted 75% confidence level IBNR provision of LKR 473,647,312, inclusive of Claims Handing Expenses, is adequate in relation to the Claim Liability of People's Insurance PLC as at 31 December 2017, net of reinsurance. This provision applies to claims from Accident Years 2010 to 2017. 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 31 December 2017, in many but not all scenarios of future experience.

At the end of each reporting period, companies are required to carry out a Liability Adequacy Test (LAT) as laid out in SLFRS 4. The LAT is performed to assess the adequacy of the carrying amount of the Unearned Premium Reserve (UPR). I hereby certify that the UPR provision of LKR 2,473,712,190 set by the Company, net of reinsurance, is adequate in relation to the unexpired risks of People's Insurance PLC as at 31 December 2017, 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.

Matthew Maguire
Fellow of the Institute of Actuaries of Australia (FIAA)
For and on behalf of NMG Consulting
Dated: 29 January 2018

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INDEPENDENT AUDITOR'S REPORT

Building a better
working world

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Chartered Accountants
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SPF/HLKC/AD

INDEPENDENT AUDITOR'S 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 2017, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 2017, 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.

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

Ernst & Young

Colombo

15 February 2018

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayesinghe FCA FCMA Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principal T P M Ruberu FCMA FCCA

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STATEMENT OF PROFIT OR LOSS

For the year ended 31 December	Note	Page	2017 Rs.	2016 Rs.
Revenue	4	171	4,791,413,814	4,250,108,228
Gross written premium	5	172	4,781,919,014	4,339,579,669
Change in reserve for unearned insurance premium	6	173	(255,511,825)	(284,749,349)
Gross earned premium			4,526,407,189	4,054,830,320
Premium ceded to reinsurers	7	173	(427,744,495)	(350,721,288)
Change in reserve for unearned reinsurance premium	8	174	(1,480,259)	19,123,881
Net earned premium			4,097,182,435	3,723,232,913
Claims and expenses				
Net claims	9	174	(2,840,950,188)	(2,628,295,063)
Underwriting and net acquisition costs	10	177	(407,022,478)	(380,484,389)
Other operating and administrative expenses	11	178	(676,749,665)	(508,318,624)
			(3,924,722,331)	(3,517,098,076)
Underwriting results			172,460,104	206,134,837
Other revenue				
Fee income	12	179	41,804,663	39,778,436
Interest and dividend income	13	180	625,649,303	474,954,272
Net fair value gains	14	181	24,646,592	11,024,380
Other income	15	181	2,130,821	1,118,227
			694,231,379	526,875,315
Profit before tax	16	182	866,691,483	733,010,152
Income tax expense	17	182	(93,606,037)	(75,012,884)
Profit for the year			773,085,446	657,997,268
Basic earnings per share	18	184	3.87	3.29

The notes to the financial statements as set out on pages 162 to 241 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	Page	2017 Rs.	2016 Rs.
Profit for the year			773,085,446	657,997,268
Other comprehensive income				
Other comprehensive income that may be reclassified to statement of profit or loss in subsequent periods:				
- Net change in fair value of available-for-sale financial assets	23.4	200	1,857,814	(8,116,758)
- Recycling to statement of profit or loss on disposal of investments			4,846,648	-
- Deferred tax effect on fair valuations	17.2	183	(260,094)	539,536
			6,444,368	(7,577,222)
Other comprehensive income that will not be reclassified to statement of profit or loss in subsequent periods:				
- Actuarial losses on defined benefit obligations	34.2	211	(1,369,127)	(2,718,395)
- Deferred tax effect on above	17.2	183	(377,795)	761,150
			(1,746,922)	(1,957,245)
Other comprehensive income for the year, net of tax			4,697,446	(9,534,467)
Total comprehensive income for the year, net of tax			777,782,892	648,462,801

The notes to the financial statements as set out on pages 162 to 241 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	Page	2017 Rs.	2016 Rs.
Assets				
Intangible assets	20	185	11,000,000	23,388,110
Property, plant and equipment	21	187	84,392,671	21,388,037
Deferred tax asset	22	190	28,484	1,871,693
Financial investments	23	192	6,136,594,446	5,469,881,112
Reinsurance receivables	24	200	249,714,521	104,504,736
Insurance receivables	25	202	838,919,041	724,191,001
Deferred expenses	26	203	238,256,786	220,580,020
Other assets	27	204	69,549,058	16,003,150
Cash and bank balances	28	205	116,659,642	138,335,984
Total assets			7,745,114,649	6,720,143,843
Equity and liabilities				
Equity				
Stated capital	29	206	1,350,000,000	1,350,000,000
Retained earnings	30	206	1,710,724,129	1,287,638,683
Available-for-sale reserves	31	206	819,647	(5,624,721)
Other reserves	32	207	(4,303,950)	(2,557,028)
Total equity			3,057,239,826	2,629,456,934
Liabilities				
Insurance contract liabilities	33	207	4,073,554,521	3,557,794,382
Employee defined benefit obligations	34	210	17,881,854	12,920,220
Other financial liabilities	35	212	408,960,354	345,362,131
Other liabilities	36	213	44,495,102	36,973,162
Reinsurance payables	37	214	35,715,836	41,432,353
Income tax payables	38	214	38,429,964	21,960,225
Bank overdrafts	39	214	68,837,192	74,244,436
Total liabilities			4,687,874,823	4,090,686,909
Total equity and liabilities			7,745,114,649	6,720,143,843

The notes to the financial statements as set out on pages 162 to 241 form an integral part of these financial statements.

Certification

These financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

Nilushan Somarathna
Chief Financial Officer

The Board of Directors is responsible for these financial statements.

Signed for and on behalf of the Board by:

Jehan P. Amaratunga
Chairman

N. Vasantha Kumar
Director

15th February 2018
Colombo

STATEMENT OF CHANGES IN EQUITY

	Note	Page	Stated capital Rs.	Retained earnings reserves Rs.	Available-for-sale Rs.	Other reserves Rs.	Total Rs.
Balance as at 1 January 2016			1,350,000,000	899,641,415	1,952,501	(599,783)	2,250,994,133
Issue of ordinary shares pending allotment	29	206	(750,000,000)	-	-	-	(750,000,000)
Ordinary shares allotted	29	206	750,000,000	-	-	-	750,000,000
Profit for the year			-	657,997,268	-	-	657,997,268
Other comprehensive income			-	-	(7,577,222)	(1,957,245)	(9,534,467)
Dividends paid during the year	19	184	-	(270,000,000)	-	-	(270,000,000)
Balance as at 31 December 2016			1,350,000,000	1,287,638,683	(5,624,721)	(2,557,028)	2,629,456,934
Profit for the year			-	773,085,446	-	-	773,085,446
Other comprehensive income			-	-	6,444,368	(1,746,922)	4,697,446
Dividends paid during the year	19	184	-	(350,000,000)	-	-	(350,000,000)
Balance as at 31 December 2017			1,350,000,000	1,710,724,129	819,647	(4,303,950)	3,057,239,826

The notes to the financial statements as set out on pages 162 to 241 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	Page	2017 Rs.	2016 Rs.
Operating activities				
Premium received from customers			4,662,121,344	4,158,370,004
Reinsurance premium paid			(433,312,281)	(346,109,125)
Claims paid	9.1	175	(2,811,720,982)	(2,581,898,150)
Reinsurance recoveries in respect of claims			48,402,585	132,662,006
Interest received			529,203,943	410,260,353
Dividends received	13.2	181	19,851,866	13,773,917
Other operating cash flows			(886,186,052)	(1,501,323,447)
Cash flows from operating activities	A	161	1,128,360,423	285,735,558
Gratuity paid	34.2	211	(1,804,195)	(61,175)
Income tax paid	38	214	(24,226,000)	(92,634,139)
Net cash flows from operating activities			1,102,330,228	193,040,244
Investing activities				
Purchase of liquid investments			(20,586,085,223)	(14,659,950,205)
Purchase of other investments			(3,366,527,232)	(7,940,063,605)
Sale of liquid investments			20,293,612,086	16,056,024,326
Sale of other investments			2,961,838,012	6,008,513,057
Purchase of property, plant and equipment	21.3	189	(69,382,534)	(8,872,288)
Proceeds received from disposal of property, plant and equipment			1,169,018	-
Net cash flows used in investing activities			(765,375,873)	(544,348,715)
Net cash flows before financing activities			336,954,355	(351,308,471)
Financing activity				
Ordinary dividends paid	19	184	(350,000,000)	(270,000,000)
Net cash flows used in financing activity			(350,000,000)	(270,000,000)
Net decrease in cash and cash equivalents	B	161	(13,045,645)	(621,308,471)

The notes to the financial statements as set out on pages 162 to 241 form an integral part of these financial statements.

NOTES TO THE STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	Page	2017 Rs.	2016 Rs.
A. Cash flows generated from operating activities				
Profit before tax			866,691,483	733,010,152
Unrealised loss on quoted equity securities at market value	14	181	40,462,471	5,575,599
Provision for employee defined benefit obligations	34.2.1	211	5,396,702	4,235,485
Depreciation and amortisation expenses			27,494,102	21,860,494
Provision for impairment - Insurance receivables	25.2	202	5,056,341	4,255,928
Profit from disposal of property, plant and equipment	15	181	(762,017)	-
Changes in working capital				
Increase in reinsurance receivables			(145,209,785)	(9,597,248)
Increase in insurance receivables and other assets			(225,120,800)	(128,133,238)
Increase in deferred expenses			(17,676,766)	(19,752,425)
Increase in insurance liabilities			515,760,139	391,177,866
Increase/(decrease) in other liabilities			56,268,553	(716,897,055)
Cash flows from operating activities			1,128,360,423	285,735,558
B. Net decrease in cash and cash equivalents				
Cash and bank balances and savings accounts			140,965,087	159,417,976
Bank overdrafts	39	214	(68,837,192)	(74,244,436)
Cash and cash equivalents as at 31 December	28.1	205	72,127,895	85,173,540
Less: Cash and cash equivalents as at 1 January			85,173,540	706,482,011
Net decrease in cash and cash equivalents during the period			(13,045,645)	(621,308,471)

The notes to the financial statements as set out on pages 162 to 241 form an integral part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1 Reporting entity

People's Insurance PLC is a public limited company incorporated and domiciled in Sri Lanka. The registered office of the Company and the principal place of business is situated at No. 07, Havelock Road, Colombo 05. Ordinary shares of the Company are listed on the Colombo Stock Exchange.

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 these financial statements.

1.5 Number of employees

The staff strength of the Company as at 31 December 2017 was 385 (2016 – 330).

1.6 Approval of financial statements by the Board of Directors

The financial statements of the Company for the year ended 31 December 2017 were approved and authorised for issue on 15 February 2018 in accordance with the resolution of the Board of Directors on 15 February 2018.

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 profit or loss and statement of comprehensive income providing information on the financial performance of the Company for the year under review (pages 156 to 157);
- a statement of financial position providing information on the financial position of the Company as at the year-end (page 158);
- a statement of changes in equity depicting all changes in shareholders' equity (page 159);
- 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 160 to 161); and
- notes to the financial statements comprising accounting policies and other explanatory information (pages 162 to 241).

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	23.1	194
Financial investments - Available-for-sale	Fair value	23.3	199
Insurance contract liabilities	Values are determined in accordance with internationally accepted actuarial principles	33	207
Employee defined benefit obligations	Present value of the defined benefit obligation, plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses	34	210

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 43 (Risk management framework – exposure to liquidity risk). No adjustments have been made for inflationary factors affecting the financial statements.

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

2.4 Functional and presentation currency

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

2.5 Materiality and aggregation

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

2.6 Significant accounting judgments, estimates and assumptions

The preparation of the financial statements of the Company in conformity with SLFRS and LKAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The management is also required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Actual results may differ from these estimates.

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

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

2.6.1 Going concern

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

2.6.2 Fair value of financial instruments

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

2.6.3 Assessment of impairment

The 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.

2.6.4 Provisions for liabilities and contingencies

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

NOTES TO THE FINANCIAL STATEMENTS

2.6.5 Transfer pricing

The Company is subject to income taxes and other taxes, including transfer pricing regulations. Prevailing uncertainties with respect to the interpretation of respective transfer pricing regulations necessitated using management judgment to determine the impact of transfer pricing regulations. Accordingly, critical judgments and estimates were used in applying the regulations in aspects, including but not limited to identifying associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism. The current tax charge is subject to such judgments. Differences between estimated income tax charge and actual payable may arise as a result of the management's interpretation and application of transfer pricing regulations.

2.7 Summery of significant accounting policies

2.7.1 Foreign currency translation

The Company's financial statements are presented in Sri Lankan Rupees which is also the Company's functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of profit or loss.

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

2.7.2 Impairment of non-financial assets

The Company assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

2.7.3 Amortised cost measurement

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment

2.7.4 Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets not carried at fair value through profit or loss are impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

- **Impairment of financial 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 profit or loss.

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 profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

- **Impairment of available-for-sale financial investments**

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

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

- **Impairment of 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.

2.7.5 Provisions

General

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

If the effect of the time value of money is material, provisions are discounting 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.

2.7.6 Statement of cash flows

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

NOTES TO THE FINANCIAL STATEMENTS

and balances with banks. For cash flow statement purposes, cash and cash equivalents are presented, net of bank overdrafts.

2.8 New standards and interpretation not yet adopted

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

- **Sri Lanka Financial Reporting Standard (SLFRS) 15 - Revenue from Contracts with Customers**

SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. It replaces existing revenue recognition guidance, including LKAS 18 - Revenue, LKAS 11- Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

Either a full retrospective application or a modified retrospective application is required for 1 January 2018. Contracts within the scope of SLFRS 4 - Insurance Contracts are scope out, according to scope (paragraph 5 (b)) of SLFRS 15. The Company is evaluating the impact of other revenue contracts currently.

- **Sri Lanka Financial Reporting Standard (SLFRS) 16 - Leases**

SLFRS 16 will replace Sri Lanka Accounting Standard (LKAS 17) - Leases, IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC 15 - Operating Leases-Incentives and SIC 27- Evaluating the Substance of Transactions Involving the Legal Form of a Lease. SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting under SLFRS 16 is substantially unchanged from today's accounting under LKAS 17. Lessors will continue to classify all leases using the same classification principle as in LKAS 17 and distinguish between two types of leases: operating and finance leases. SLFRS 16 also requires lessees and lessors to make more extensive disclosures than under LKAS 17.

SLFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, Lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. Pending a detailed impact analysis, possible impact from SLFRS 16 is not reasonably estimable as of the reporting date.

- **SLFRS 9 - Financial Instruments**

SLFRS 9 - Financial Instruments, will replace LKAS 39 - Financial Instruments: Recognition and Measurement, for annual periods on or after 1 January 2018 with early adoption permitted.

In 2017, the Company set up a team to implement SLFRS 9 within the Company.

The Company performed the diagnostic phase (preliminary impact assessment exercise) and implementation phase (solution development) on SLFRS 9. The Company has undertaken a significant analysis of how SLFRS 9 should be implemented and has taken tentative accounting policy decisions.

Classification Measurement

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business Model Assessment

The Company determines its business model at the level that best reflects how it manages financial assets to achieve its objectives. The Company's business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial asset held within that business model are evaluated and reported to the entity's key management personnel
- Risks that affect the performance of the business model (and the financial asset held within that business model) and, in particular, the way those risks are managed
- The expected frequency, value and timing of sales are also important aspect of the Company's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios in to account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectation, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets.

Contractual Cash flow Characteristic Test

As the second test of the As the second test of the classification process, the Company assesses contractual terms of the financial asset to identify whether they meet Solely the Payment of Principle and Interest (SPPI) criteria.

'Principle' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principle or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make SPPI assessment, the Company applies judgment and considers relevant factors such as currency in which the financial asset is denominated and the period for which the interest rate is set.

In contrast to contractual exposures that introduce a more than deminimis exposure to risk or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, do not give rise to contractual cash flows that are solely the payment of principle and interest on the amount outstanding. In such cases the financial asset is required to be measured at FVPL.

Financial Asset	LKAS 39 Measurement		Re-classification	SLFRS 9	
	Category	Amount		Amount	Category
Quoted equity securities	FVTPL	135,561,249	-	135,561,249	FVTPL
Bank balances	L&R	116,467,272	-	116,467,272	Amortised cost
Debentures	HTM	1,757,152,176	-	1,757,152,176	Amortised cost
Fixed deposits	L&R	2,709,568,064	-	2,709,568,064	Amortised cost
Reinsurance receivables	L&R	249,714,521	-	249,714,521	Amortised cost
Repurchase agreements	HTM	579,758,563	-	579,758,563	Amortised cost
Savings accounts	HTM	24,305,444	-	24,305,444	Amortised cost
Treasury bills	AFS	806,059,822	-	806,059,822	FVOCI
Treasury bonds	AFS	62,865,850	(3,323,161)	59,542,689	Amortised cost
Insurance receivables	L&R	854,077,393	-	854,077,393	Amortised cost

FVTPL - Fair Value Through Profit or Loss
L&R - Loans and Receivables
HTM - Held To Maturity
AFS - Available-For-Sale

NOTES TO THE FINANCIAL STATEMENTS

Impairment of Financial Assets
Overview of Expected Credit Loss Principle (ECL)
SLFRS 9 will principally change the Company's insurance receivables and reinsurance receivables provision method by replacing LKAS 39 - Financial Instruments: Recognition and Measurement's incurred loss approach with a forward looking ECL approach. With the introduction of ECL Approach, other financial assets except for treasury bills/bonds issued in Sri Lankan Rupees which are carried at amortised cost attracted a provision. Such financial assets include;

- Cash at bank
- Fixed deposits
- Debentures
- Savings accounts

The Company had not made any impairment provision for aforesaid financial assets under LKAS 39 due to the absence of objective evidence of incurred loss.

ECL allowance will be based on credit losses expected to arise over the life of the asset (Life Time Expected Credit Loss or LTECL), unless there has been no significant increase in credit risk since origination in which case the loss allowance will be 12 month expected credit loss (12mECL).

12mECL is the portion of LTECL that represent the ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. The Company applied the simplified approach to its insurance/reinsurance receivables according to SLFRS 9.

The Company has established a policy to perform an assessment, at the end of each reporting period of whether a financial instrument's credit risk has increased significantly since initial recognition for other financial asset. Based on such process, the Company groups financial assets except for insurance receivables in to stage 1, stage 2 and stage 3 as described below:

- Stage 1: When a financial asset except for insurance receivables is first recognised, the Company recognises an allowance based on 12mECL. Stage 1 financial assets also include the facilities where the credit risk has improved and the financial assets have been reclassified from Stage 2. Assessment of Stage 1 will be performed collectively
- Stage 2: When a financial assets except for insurance receivables has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECL. Stage 2 financial assets except for insurance receivables also include facilities, where the credit risk has improved and the financial assets except for insurance receivables have been reclassified from stage 2. Assessment of stage 2 will be performed collectively
- Stage 3: Financial assets considered to be credit impaired/contains objective evidence of incurred losses records an allowance for the LTECL. Stage 3 assessment will be performed collectively

Significant Increase in Credit Risk
The Company continuously monitors all assets except for insurance/reinsurance receivables which are subject to ECL, in order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL. The Company assesses whether there has been a significant increase in credit risk since the initial recognition. The Company considers that credit risk has significantly increased when either of the following criteria is met:

- Balances exceeding 30 days past-due
- Rating of the financial instrument is below the investment grade
- Downgrade movement in the external ratings of the instrument i.e. movement result in doubling of PD

The Company groups these exposures for smaller homogeneous exposures, based on a combination of internal and external characteristics of the insurance/reinsurance receivables as described below:

- Product/asset type
- Type of collateral
- Risk grade/rating

Calculation of ECL
The Company calculates ECL based on 3 probability weighted scenarios to measure expected cash shortfalls, discounted at an approximation to the Effective Interest rate (EIR). A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Mechanics and key elements of ECL calculation and are outlined below:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously de-recognised and is still in the portfolio

- EAD: Exposure At Default is the estimate of the exposure at a future default date, taking in to account expected changes in the exposure after the reporting date, including repayments of the principle and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities
- LGD: Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lenders would expect to receive, including realisation of any collateral. It is usually expressed as a % of EAD.

When estimating ECL, the Company considers 3 scenarios (base case, best case and worst case). Each of these scenarios associated with different loss rates. For all products, the Company considers the maximum period of which the credit losses are determined is the contractual life of a financial instrument.

Forward Looking Information
In its ECL model, the Company relies on GDP growth as the quantitative macro-economic variables to adjust forward looking information for financial instruments. For insurance receivables, the management considers management judgment/overlay to adjust the forward looking information, considering the short term nature of such receivables.

NOTES TO THE FINANCIAL STATEMENTS

3 OPERATING SEGMENTS

Operating segment is a component of an entity:

a) That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity).
b) Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
c) For which discrete financial information is available.

For management purposes, the Company has organised the main business into four business segments based on products and services and has four reportable segments.

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

- Motor insurance
- Marine insurance
- Fire insurance
- Miscellaneous insurance

Segment Results

		Operating Segment				
	Note	Motor	Marine	Fire	Miscellaneous	Total
Gross written premium	5	4,009,005,156	16,332,018	368,877,442	387,704,398	4,781,919,014
Change in reserves for unearned insurance premium	6	(225,279,297)	6,012,276	(27,421,054)	(8,823,750)	(255,511,825)
Gross earned premium		3,783,725,859	22,344,294	341,456,388	378,880,648	4,526,407,189
Reinsurance premium	7	(126,507,239)	(13,729,765)	(237,837,947)	(49,669,544)	(427,744,495)
Change in reserves for unearned reinsurance premium	8	-	(6,134,641)	12,831,969	(8,177,587)	(1,480,259)
Net earned premium		3,657,218,620	2,479,888	116,450,410	321,033,517	4,097,182,435
Net claims	9	(2,582,039,559)	460,943	(56,548,639)	(202,822,933)	(2,840,950,188)
Underwriting and net acquisition costs	10	(418,687,932)	2,741,219	9,310,191	(385,956)	(407,022,478)
Underwriting results before operating and administrative expenses		656,491,129	5,682,050	69,211,962	117,824,628	849,209,769
Other operating and administrative expenses	11					(676,749,665)
Underwriting results						172,460,104
Investment income						650,295,895
Fee and other income						43,935,484
Profit before tax						866,691,483
Income tax expense	17					(93,606,037)
Profit for the year						773,085,446

Segment results - 2016

	Note	Operating Segment				
		Motor	Marine	Fire	Miscellaneous	Total
Gross written premium	5	3,655,047,068	18,237,106	311,163,951	355,131,544	4,339,579,669
Change in reserves for unearned premium	6	(251,222,616)	(627,509)	(18,828,677)	(14,070,547)	(284,749,349)
Gross earned premium		3,403,824,452	17,609,597	292,335,274	341,060,997	4,054,830,320
Reinsurance premium	7	(108,063,056)	(17,142,492)	(187,164,014)	(38,351,726)	(350,721,288)
Change in reserves for unearned reinsurance premium	8	-	780,051	6,107,786	12,236,044	19,123,881
Net earned premium		3,295,761,396	1,247,156	111,279,046	314,945,315	3,723,232,913
Net claims	9	(2,376,558,150)	3,916,329	(34,444,990)	(221,208,252)	(2,628,295,063)
Underwriting and net acquisition costs	10	(384,912,163)	1,299,318	4,444,207	(1,315,751)	(380,484,389)
Underwriting results before operating and administrative expenses		534,291,083	6,462,803	81,278,263	92,421,312	714,453,461
Other operating and administrative expenses	11					(508,318,624)
Underwriting results						206,134,837
Investment income						485,978,652
Fee and Other income						40,896,663
Profit before tax						733,010,152
Income tax expense	17					(75,012,884)
Profit for the year						657,997,268

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

4 REVENUE

For the year ended	31.12.2017 Rs.	31.12.2016 Rs.
Net earned premium	4,097,182,435	3,723,232,913
Other revenue	694,231,379	526,875,315
	4,791,413,814	4,250,108,228

NOTES TO THE FINANCIAL STATEMENTS

5 GROSS WRITTEN PREMIUM

Accounting policy - Product classification of insurance and investment contracts

SLFRS 4 - Insurance Contracts, requires contracts written by insurer to be classified as either 'Insurance contracts' or 'Investment contracts' depending in the level of insurance risk transferred.

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

Investment contracts are those contracts that transfer significant financial risk, and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variables, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

All the products sold by the Company are insurance contracts and therefore classified as insurance contracts under SLFRS 4 - Insurance Contracts. Thus, the Company does not have any investment contracts within its product portfolio as at the reporting date.

Accounting policy - Recognition of gross written premium

Gross Written Premium (GWP) represents the premium charged by the Company to underwrite risks. GWP is accounted on an accrual basis.

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

Rebates that form part of the premium rate, such as no claim rebates, are deducted from the GWP.

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

For the year ended	31.12.2017			31.12.2016		
	Basic Rs.	*SRCC/TC Rs.	Total Rs.	Basic Rs.	*SRCC/TC Rs.	Total Rs.
Motor	3,412,953,684	596,051,472	4,009,005,156	3,125,288,338	529,758,730	3,655,047,068
Fire	244,010,636	124,866,806	368,877,442	203,747,208	107,416,743	311,163,951
Marine	16,321,080	10,938	16,332,018	18,247,828	(10,722)	18,237,106
Miscellaneous	384,482,006	3,222,392	387,704,398	352,176,955	2,954,589	355,131,544
	4,057,767,406	724,151,608	4,781,919,014	3,699,460,329	640,119,340	4,339,579,669

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

6 CHANGE IN RESERVE FOR UNEARNED PREMIUM

Accounting policy - Change in reserve for unearned premium

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

For the year ended	31.12.2017 Rs.	31.12.2016 Rs.
Class-wise		
Motor	(225,279,297)	(251,222,616)
Fire	(27,421,054)	(18,828,677)
Marine	6,012,276	(627,509)
Miscellaneous	(8,823,750)	(14,070,547)
	(255,511,825)	(284,749,349)

7 PREMIUM CEDED TO REINSURERS

Accounting policy - Recognition of premium ceded to reinsurers

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 commences. Premium includes any adjustments arising in the accounting period in respect of reinsurance contracts commencing in prior accounting periods.

For the year ended	31.12.2017 Rs.	31.12.2016 Rs.
Class-wise		
Motor	(126,507,239)	(108,063,056)
Fire	(237,837,947)	(187,164,014)
Marine	(13,729,765)	(17,142,492)
Miscellaneous	(49,669,544)	(38,351,726)
	(427,744,495)	(350,721,288)
Payee-wise		
National Insurance Trust Fund		
Compulsory reinsurance cessions	(68,435,455)	(53,036,889)
Strike, Riot, Civil Commotion and Terrorism Cover	(199,626,313)	(173,931,658)
Foreign reinsurers	(159,682,727)	(123,752,741)
	(427,744,495)	(350,721,288)

NOTES TO THE FINANCIAL STATEMENTS

8 CHANGE IN RESERVE FOR UNEARNED REINSURANCE PREMIUM

Accounting policy - Change in reserve for unearned reinsurance premium

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

For the year ended	31.12.2017 Rs.	31.12.2016 Rs.
Class-wise		
Fire	12,831,969	6,107,786
Marine	(6,134,641)	780,051
Miscellaneous	(8,177,587)	12,236,044
	(1,480,259)	19,123,881

9 NET CLAIMS

Accounting policy - Recognition of gross claims

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

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

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

Accounting policy - Recognition of reinsurance claims

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

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

For the year ended	Note	31.12.2017 Rs.	31.12.2016 Rs.
Claims paid	9.1	(2,811,720,982)	(2,581,898,150)
Claims recovered from reinsurers	9.2	80,284,801	56,731,017
Net change in contract liabilities	9.3	(109,514,007)	(103,127,930)
		(2,840,950,188)	(2,628,295,063)

9.1 Claims paid

For the year ended	31.12.2017 Rs.	31.12.2016 Rs.
Class-wise		
Motor	(2,500,643,911)	(2,322,038,583)
Fire	(90,463,476)	(52,464,120)
Marine	(703,005)	(1,947,283)
Miscellaneous	(219,910,590)	(205,448,164)
	(2,811,720,982)	(2,581,898,150)

9.2 Claims recovered from reinsurers

For the year ended	31.12.2017 Rs.	31.12.2016 Rs.
Class-wise		
Motor	29,979,036	43,715,697
Fire	49,729,668	11,440,162
Marine	576,097	1,552,452
Miscellaneous	-	22,706
	80,284,801	56,731,017

9.3 Net change in contract liabilities

For the year ended	Note	31.12.2017 Rs.	31.12.2016 Rs.
Gross change in insurance claims outstanding	9.3.1	(258,768,055)	(112,918,157)
Change in reinsurance recoverable on claims outstanding	9.3.2	149,254,048	9,790,227
		(109,514,007)	(103,127,930)

NOTES TO THE FINANCIAL STATEMENTS

9 NET CLAIMS (CONTINUED)

9.3.1 Gross change in insurance claims outstanding

For the year ended	31.12.2017		
	Change in gross claims outstanding Rs.	Change in provision for IBNR Rs.	Total Rs.
Class-wise			
Motor	(44,022,114)	(161,796,473)	(205,818,587)
Fire	(30,325,568)	(22,311,845)	(52,637,413)
Marine	143,970	281,029	424,999
Miscellaneous	21,504,032	(22,241,086)	(737,054)
	(52,699,680)	(206,068,375)	(258,768,055)

For the year ended	31.12.2016		
	Change in gross claims outstanding Rs.	Change in provision for IBNR Rs.	Total Rs.
Class-wise			
Motor	(69,037,652)	(28,569,023)	(97,606,675)
Fire	(790,555)	(100,679)	(891,234)
Marine	(1,190,385)	4,861,418	3,671,033
Miscellaneous	(11,530,693)	(6,560,588)	(18,091,281)
	(82,549,285)	(30,368,872)	(112,918,157)

9.3.2 Change in reinsurance recoverable on claims outstanding

For the year ended	31.12.2017		
	Change in reinsurance recovery on claims outstanding Rs.	Change in reinsurance recovery on provision for IBNR Rs.	Total Rs.
Class-wise			
Motor	(2,396,132)	96,840,035	94,443,903
Fire	17,353,575	19,469,007	36,822,582
Marine	228,230	(65,378)	162,852
Miscellaneous	-	17,824,711	17,824,711
	15,185,673	134,068,375	149,254,048

For the year ended	31.12.2016		
	Change in reinsurance recovery on claims outstanding	Change in reinsurance recovery on Provision for IBNR	Total
	Rs.	Rs.	Rs.
Class-wise			
Motor	9,776,994	(10,405,583)	(628,589)
Fire	11,650,242	(4,180,040)	7,470,202
Marine	494,119	146,008	640,127
Miscellaneous	-	2,308,487	2,308,487
	21,921,355	(12,131,128)	9,790,227

10 UNDERWRITING AND NET ACQUISITION COSTS

Accounting policy - Recognition of underwriting and deferred acquisition costs

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

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

For the year ended	Note	31.12.2017 Rs.	31.12.2016 Rs.
Acquisition cost		(469,324,849)	(435,286,149)
Change in deferred acquisition cost		19,090,642	22,141,946
		(450,234,207)	(413,144,203)
Reinsurance commission		44,625,605	35,049,336
Change in unearned commission reserve		(1,413,876)	(2,389,522)
		43,211,729	32,659,814
		(407,022,478)	(380,484,389)

NOTES TO THE FINANCIAL STATEMENTS

10 UNDERWRITING AND NET ACQUISITION COSTS (CONTINUED)

For the year ended	31.12.2017				
	Acquisition cost	Change in deferred acquisition cost	Reinsurance commission	Change in unearned reinsurance commission reserve	Total underwriting and net acquisition cost
Class-wise					
Motor	(435,737,969)	17,050,037	-	-	(418,687,932)
Fire	(30,688,195)	2,719,380	39,958,422	(2,679,416)	9,310,191
Marine	(518,339)	(555,527)	2,713,538	1,101,547	2,741,219
Miscellaneous	(2,380,346)	(123,248)	1,953,645	163,993	(385,956)
	(469,324,849)	19,090,642	44,625,605	(1,413,876)	(407,022,478)

For the year ended	31.12.2016				
	Acquisition cost	Change in deferred acquisition cost	Reinsurance commission	Change in unearned reinsurance commission reserve	Total underwriting and net acquisition cost
Class-wise					
Motor	(404,682,008)	19,769,845	-	-	(384,912,162)
Fire	(26,118,443)	2,063,784	30,548,868	(2,050,002)	4,444,207
Marine	(1,601,520)	(138,311)	3,340,094	(300,945)	1,299,318
Miscellaneous	(2,884,178)	446,628	1,160,374	(38,575)	(1,315,751)
	(435,286,149)	22,141,946	35,049,336	(2,389,522)	(380,484,389)

11 OTHER OPERATING AND ADMINISTRATIVE EXPENSES

Accounting policy - Recognition of other operating and administrative expenses

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

For the year ended	Note	31.12.2017 Rs.	31.12.2016 Rs.
Staff expenses	11.1	(246,411,102)	(201,194,603)
Administrative expenses		(397,788,120)	(281,007,599)
Amortisation and depreciation		(27,494,102)	(21,860,494)
Impairment loss on insurance receivables		(5,056,341)	(4,255,928)
		(676,749,665)	(508,318,624)

11.1 Staff expenses

Accounting policy - Short-term employee benefits

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

Accounting policy - Defined benefit plans

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

(a) current service cost
(b) interest cost

For more details, please refer Note 34 on defined benefit obligations.

Accounting policy - Defined contribution plans

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

For the year ended	31.12.2017 Rs.	31.12.2016 Rs.
Wages and salaries	(163,651,205)	(135,619,958)
Staff benefit expenses	(58,963,325)	(46,454,146)
Contributions made to the EPF	(14,698,553)	(11,893,315)
Contributions made to the ETF	(3,701,317)	(2,991,699)
Defined benefit plan expenses	(5,396,702)	(4,235,485)
	(246,411,102)	(201,194,603)

12 FEE INCOME

Accounting policy - Recognition of fees

Policyholders are charged for policy administration services and other contract fees. These fees are recognised as revenue upon receipt or become due.

For the year ended	31.12.2017 Rs.	31.12.2016 Rs.
Policy fees	27,461,850	26,756,400
Administration fees	14,342,813	13,022,036
	41,804,663	39,778,436

NOTES TO THE FINANCIAL STATEMENTS

13 INTEREST AND DIVIDEND INCOME

Accounting policy - Recognition of interest income

Interest income is recognised in the statement of profit or loss as it accrues and is calculated by using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial asset or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liabilities. When calculating the effective interest rate, the Company estimates future cash flows, considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Accounting policy - Recognition of dividend income

Dividend income is recognised when the right to receive the dividend is established.

For the year ended	Note	31.12.2017 Rs.	31.12.2016 Rs.
Interest income	13.1	605,797,437	461,180,355
Dividend income	13.2	19,851,866	13,773,917
		625,649,303	474,954,272

13.1 Interest income

For the year ended	31.12.2017 Rs.	31.12.2016 Rs.
Interest income from available-for-sale financial assets		
-Treasury bills	97,799,697	104,830,486
-Treasury bonds	6,222,222	6,222,222
Interest income from loans and receivables		
-Listed debentures	195,463,940	155,643,709
-Fixed deposits	266,219,572	162,909,049
-Reverse repurchase agreements	32,432,313	27,242,375
-Staff loans	2,827,065	2,421,304
-Others	4,832,628	1,911,210
	605,797,437	461,180,355

13.2 Dividend income

For the year ended	31.12.2017 Rs.	31.12.2016 Rs.
Dividend income from available-for-sale financial assets		
- Unit trust	1,893,222	-
Dividend income from financial assets at fair value through profit or loss		
- Listed equity securities	17,958,644	13,773,917
	19,851,866	13,773,917

14 NET FAIR VALUE GAINS

Accounting policy - Recognition of fair value gains and losses

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

For the year ended	31.12.2017 Rs.	31.12.2016 Rs.
Net fair value gains/(losses) from financial assets at fair value through profit or loss		
- Realised	69,955,711	16,599,979
- Unrealised	(40,462,471)	(5,575,599)
	29,493,240	11,024,380
Net fair value losses from financial assets at available-for-sale		
- Realised	(4,846,648)	-
	(4,846,648)	-
Total net fair value gains/(losses) from financial investments		
- Realised	65,109,063	16,599,979
- Unrealised	(40,462,471)	(5,575,599)
	24,646,592	11,024,380

15 OTHER INCOME

Accounting policy - Other income

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

For the year ended	31.12.2017 Rs.	31.12.2016 Rs.
Profit from disposal of property, plant and equipment	762,017	-
Other income	1,368,804	1,118,227
	2,130,821	1,118,227

NOTES TO THE FINANCIAL STATEMENTS

16 PROFIT BEFORE TAX

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

For the year ended	Note	31.12.2017 Rs.	31.12.2016 Rs.
Auditors' remuneration - statutory audit services		1,775,000	1,707,865
- other services		1,112,500	1,212,227
Amortisation of intangible assets	20	12,388,110	12,776,220
Depreciation of property, plant and equipment	21	15,105,992	9,084,274
Directors' emoluments		5,525,000	1,325,000

17 INCOME TAX EXPENSE

Accounting policy - Recognition of income tax expense

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity, when it is recognised in equity.

Major components of income tax expense are as follows;

17.1 Tax recognised in statement of profit or loss

For the year ended	Note	31.12.2017 Rs.	31.12.2016 Rs.
Income tax			
Income tax on current year's profits		(92,666,233)	(81,408,319)
Over/(under) provision for income tax in respect of previous year	38	265,517	(116,561)
		(92,400,716)	(81,524,880)
Deferred tax			
Reversal of deferred tax asset	22.3	1,116,815	2,526,931
Origination of deferred tax liability	22.3	(2,322,136)	3,985,065
		(1,205,321)	6,511,996
Income tax expense		(93,606,037)	(75,012,884)

17.2 Tax recognised in statement of comprehensive income

For the year ended	Note	31.12.2017 Rs.	31.12.2016 Rs.
Change in deferred tax asset due to actuarial loss	22.3	377,795	761,150
Change in deferred tax asset due to fair value gains	22.3	260,094	539,536
		637,889	1,300,686

17.3 Reconciliation of effective tax rate

For the year ended	31.12.2017 Rs.	31.12.2016 Rs.
Profit for the year	773,085,446	657,997,268
Income tax expense	92,400,716	81,524,880
Deferred taxation charge/(reversal)	1,205,321	(6,511,996)
Profit before income tax	866,691,483	733,010,152
At the statutory income tax rate of 14% (2016 - 14%)		
Income exempt from income tax	(245,078,894)	(172,380,267)
Aggregate allowable expenses	(23,079,571)	(17,906,123)
Aggregate disallowable expenses	63,368,644	38,764,234
	661,901,660	581,487,996
Statutory tax rate	14%	14%
Tax at applicable rate	(92,666,233)	(81,408,319)
Net deferred taxation reversal	(1,205,321)	6,511,996
Over/(under) provision for income tax in respect of previous year	265,517	(116,561)
Income tax expense	(93,606,037)	(75,012,884)

17.4 Income tax rate

According to the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto, any company which is liable to pay income tax at the rate of 28%, lists its shares on the Colombo Stock Exchange (CSE) by way of a minimum Initial Public Offering (IPO) through which not less than 20% of its shares is issued to the general public on or before 1 April 2017, the income tax rate would be reduced by 50% for the year of assessment in which the such shares are listed and for another two years of assessment, provided that such company after listing continues to maintain a minimum public float of 20%.

Accordingly, 25% of the shares of the Company were offered and issued to the general public by way of an IPO in December 2015 and shares of the Company were listed on the CSE in January 2016. As at 31 December 2017, the public float of the Company's shares was above 20%, while the Company was liable for income tax at 28% (before the tax reduction). Hence, the Company was considered eligible for the 50% tax reduction as per the said Act, during the reporting period and income tax was calculated at 14% (2016 – 14%).

NOTES TO THE FINANCIAL STATEMENTS

18 BASIC EARNINGS PER SHARE

Accounting policy - Basic earnings per share

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

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

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

For the year ended	31.12.2017	31.12.2016
Profit for the year (Rs.)	773,085,446	657,997,268
Weighted average number of shares	200,000,000	200,000,000
Basic earnings per share (Rs.)	3.87	3.29

	2017	2016
Weighted average number of shares		
Issued ordinary shares as at 1 January	200,000,000	150,000,000
Shares issued during the year	-	50,000,000
Issued ordinary shares as at 31 December	200,000,000	200,000,000

18.1 Diluted earnings per share

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

19 DIVIDENDS

Accounting policy - Dividends

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

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

Accounting policy - Withholding tax on dividends

Withholding tax that arises from the distribution of dividends by the Company is recognised at the same time as the liability to pay the related dividend is recognised.

For the year ended	31.12.2017	31.12.2016
Interim dividends		
First interim dividend paid (Rs.)	150,000,000	150,000,000
Second interim dividend authorised (Rs.)	200,000,000	150,000,000
	350,000,000	300,000,000
Number of ordinary shares	200,000,000	200,000,000
Interim dividend per share (Rs.)	1.75	1.50
Final dividend		
Final dividend proposed (Rs.)	50,000,000	50,000,000
Number of ordinary shares	200,000,000	200,000,000
Final dividend per share (Rs.)	0.25	0.25

19.1 Second interim dividend proposed

Subsequent to the reporting date, the Board of Directors of the Company has authorised a second interim dividend of Rs. 1.00 per share for the financial year ended 31 December 2017. In accordance with Sri Lanka Accounting Standard (LKAS) 10 - Events after the Reporting Period, this second interim dividend has not been recognised as a liability as at 31 December 2017.

19.2 Final dividend proposed

Subsequent to the reporting date, the Board of Directors of the Company has also proposed a final dividend of Rs. 0.25 per share for the financial year ended 31 December 2017 to be approved at the forthcoming Annual General Meeting. In accordance with Sri Lanka Accounting Standard (LKAS) 10 - Events after the Reporting Period, this proposed dividend has not been recognised as a liability as at 31 December 2017.

20 INTANGIBLE ASSETS

The Company's intangible assets include the value of acquired computer software.

Accounting policy - Basis of recognition

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably.

Software acquired by the Company is initially measured at cost and subsequently stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Accounting policy - Subsequent expenditure

Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

20 INTANGIBLE ASSETS (CONTINUED)

Accounting policy - Amortisation

Intangible assets are amortised on a straight line basis over the period of services to be rendered. Amortisation is recorded in the statement of profit or loss.

Intangible assets with finite lives are amortised over the useful economic life. Amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates.

Amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows;

Asset Class	Useful Life	Amortisation Method
Computer software	5 years	Straight-line method

Accounting policy - De-recognition of intangible asset

An intangible asset is de-recognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from the de-recognition of such intangible assets is included in the statement of profit or loss when the item is de-recognised.

Accounting policy - Impairment of intangible asset

An impairment review is performed whenever there is an indication of impairment. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss. Future servicing rights are also considered in establishing an onerous contract provision for each reporting period.

	Computer softwares Rs.
Cost	
As at 1 January 2016	64,021,180
As at 31 December 2016	64,021,180
As at 31 December 2017	64,021,180
Accumulated amortisation	
As at 1 January 2016	27,856,850
Amortisation during the year	12,776,220
As at 31 December 2016	40,633,070
Amortisation during the year	12,388,110
As at 31 December 2017	53,021,180
Carrying amount	
As at 31 December 2016	23,388,110
As at 31 December 2017	11,000,000

20.1 Fully amortised intangible assets in use
There were no fully amortised intangible assets which are still in use or idle intangible assets as at the reporting date (2016 - Nil).

20.2 Title restriction on intangible assets
No restrictions exist on the title of the intangible assets and no items pledged as securities for liabilities.

20.3 Acquisition of intangible assets during the year
There were no acquisition of intangible assets during the year 2017 (2016 - Nil).

20.4 Capitalisation of borrowing costs
There were no capitalised borrowing costs relating to the acquisition of intangible assets during the year (2016 - Nil).

20.5 Assessment of impairment of intangible assets
The Board of Directors has assessed the potential impairment indicators of intangible assets as at 31 December 2017. Based on the assessment, no impairment indicators were identified and therefore no impairment provision is required to be made in the financial statements as at the reporting date with respect of intangible assets.

21 PROPERTY, PLANT AND EQUIPMENT
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 includes computer hardware, office equipment, furniture and fittings and motor vehicles.

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

Accounting policy - 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.

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

NOTES TO THE FINANCIAL STATEMENTS

21 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Accounting policy - 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

Accounting policy - De-recognition of property, plant and equipment

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

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

	Computer hardware Rs.	Office equipment Rs.	Furniture and fittings Rs.	Motor vehicles Rs.	Total Rs.
Cost					
As at 1 January 2016	24,778,410	28,765,443	9,627,693	110,755	63,282,301
Additions during the year	6,280,900	2,397,438	-	193,950	8,872,288
As at 31 December 2016	31,059,310	31,162,881	9,627,693	304,705	72,154,589
Additions during the year	9,012,000	14,624,328	36,877,099	18,004,200	78,517,627
Disposals during the year	-	(183,600)	(7,114,337)	(304,704)	(7,602,641)
As at 31 December 2017	40,071,310	45,603,609	39,390,455	18,004,201	143,069,575
Accumulated depreciation					
As at 1 January 2016	15,341,509	18,639,231	7,605,551	95,987	41,682,278
Depreciation during the year	4,059,948	3,973,637	1,026,223	24,466	9,084,274
As at 31 December 2016	19,401,457	22,612,868	8,631,774	120,453	50,766,552
Depreciation during the year	5,035,370	4,863,079	3,688,014	1,519,529	15,105,992
Disposals during the year	-	(183,600)	(6,868,960)	(143,080)	(7,195,640)
As at 31 December 2017	24,436,827	27,292,347	5,450,828	1,496,902	58,676,904
Carrying amount					
As at 31 December 2016	11,657,853	8,550,013	995,919	184,252	21,388,037
As at 31 December 2017	15,634,483	18,311,262	33,939,627	16,507,299	84,392,671

21.1 Fully depreciated property, plant and equipment in use

Property, plant and equipment also includes fully depreciated assets which are in the use of normal business activities. Initial cost of fully depreciated property, plant and equipment which are still in use as at the reporting date, is as follows:

As at	31.12.2017 Rs.	31.12.2016 Rs.
Computer hardware	15,400,710	8,043,710
Office equipment	15,682,020	10,613,759
Furniture and fittings	2,061,832	4,733,228
	33,144,562	23,390,697

21.2 Title restriction on property, plant and equipment

There are no restrictions that existed on the title of property, plant and equipment of the Company as at the reporting date.

21.3 Acquisition of property, plant and equipment during the year

During the financial year, the Company acquired property, plant and equipment amounting to Rs. 78,517,627 (2016 - Rs. 8,872,288). Cash payments amounting to Rs. 69,382,534 (2016 - Rs. 8,872,288) were made during the year to purchase property plant and equipment.

21.4 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 31 December 2017 (2016 - Nil).

21.5 Capitalisation of borrowing cost

There were no capitalised borrowing costs relating to the acquisition of property, plant and equipment during the year (2016 - Nil).

21.6 Temporarily idle property, plant and equipment

There were no temporarily idle property, plant and equipment as at 31 December 2017 (2016 - Nil).

21.7 Assessment of impairment of Property, plant and equipment

The Board of Directors has assessed the potential impairment indicators of property, plant and equipment as at 31 December 2017. Based on the assessment, no impairment indicators were identified and therefore no impairment provision is required to be made in the financial statements as at the reporting date in respect of property plant and equipment.

21.8 Amount of contractual commitments for the acquisition of property, plant and equipment

There are no contractual commitments for the acquisition of property, plant and equipment as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

22 DEFERRED TAX ASSET

Accounting policy - 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.

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

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

Deferred tax relating to items recognised outside the statement of profit or loss is recognised outside statement of profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Valuation of deferred tax assets and liabilities

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Company establishes provisions, based on reasonable estimate based on the tax laws and interpretations.

As at	Note	31.12.2017 Rs.	31.12.2016 Rs.
Deferred tax assets	22.1	6,273,210	5,794,283
Deferred tax liabilities	22.2	(6,244,726)	(3,922,590)
		28,484	1,871,693

As at	Statement of financial position			
	31.12.2017		31.12.2016	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
22.1 Deferred tax asset				
Employee benefits	16,512,727	4,623,564	10,201,825	2,856,511
Debtors impairment recognised in statement of profit or loss	5,056,341	707,887	9,700,896	1,358,125
Actuarial loss recognised in other comprehensive income	1,369,127	383,356	2,718,395	761,151
Fair value gains recognised in other comprehensive income	3,988,594	558,403	5,846,408	818,497
	26,926,789	6,273,210	28,467,524	5,794,283
22.2 Deferred tax liability				
Property, plant and equipment	(27,799,100)	(6,244,726)	(27,151,142)	(3,922,590)
	(27,799,100)	(6,244,726)	(27,151,142)	(3,922,590)
Recognised net deferred tax asset	(872,311)	28,484	1,316,382	1,871,693

22.3 Change in deferred tax asset/(liability)

For the year ended 31 December	Statement of profit or loss		Statement of comprehensive income	
	2017 Change in deferred tax asset/liability Rs.	2016 Change in deferred tax asset/liability Rs.	2017 Change in deferred tax asset/liability Rs.	2016 Change in deferred tax asset/liability Rs.
Deferred tax asset				
Employee benefits	(1,767,053)	(1,168,806)	-	-
Debtors impairment	650,238	(1,358,125)	-	-
Actuarial loss	-	-	377,795	761,150
Fair value gains	-	-	260,094	539,536
	1,116,815	(2,526,931)	637,889	1,300,686
Deferred tax liability				
Property, plant and equipment	(2,322,136)	(3,985,065)	-	-
	(2,322,136)	(3,985,065)	-	-
Total	(1,205,321)	(6,511,996)	637,889	1,300,686

NOTES TO THE FINANCIAL STATEMENTS

22 DEFERRED TAX ASSET (CONTINUED)

22.4 Reconciliation of deferred tax asset

	2017 Rs.	2016 Rs.
Balance as at 1 January	1,871,693	(5,940,989)
Amounts recorded in the statement of profit or loss	(1,205,321)	6,511,996
Amounts recorded in other comprehensive income	(637,889)	(1,300,686)
Balance as at 31 December	28,484	1,871,693

23 FINANCIAL INVESTMENTS

Accounting policy - Classification of financial investments

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. In the case of financial assets not at fair value through profit or loss, a financial asset is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

Depending on the intention and ability to hold the invested assets, the Company classifies its non-derivative financial assets into following categories:

- Fair Value Through Profit or Loss (FVTPL);
- Loans and receivables (L&R);
- Available-For-Sale (AFS) financial assets; and
- Held to Maturity (HTM), as appropriate

However, the Company did not have any investment classified as held to maturity investments as at the reporting date (2016-Nil).

Financial Asset Category	Category
Listed equity securities	FVTPL
Reverse repurchase agreements	L&R
Staff loans and rent deposits	L&R
Fixed deposits	L&R
Debentures	L&R
Saving accounts	L&R
Treasury bills	AFS
Treasury bonds	AFS
Unit trust	AFS

Accounting policy - De-recognition of financial investments

The Company de-recognises financial assets when the contractual rights to the cash flows from the asset expire or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in a transferred financial asset that is created or retained by the Company is recognised as a separate asset or liability.

Accounting policy - Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when and only when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

As at	Note	31.12.2017 Rs.	31.12.2016 Rs.
Fair value through profit or loss	23.1	135,561,249	327,269,438
Loans and receivables	23.2	5,140,019,075	3,695,529,206
Available-for-sale	23.3	861,014,122	1,447,082,468
		6,136,594,446	5,469,881,112

The following table consists of the fair values of 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.

		Carrying value		Fair value	
As at	Note	31.12.2017 Rs.	31.12.2016 Rs.	31.12.2017 Rs.	31.12.2016 Rs.
Fair value through profit or loss	23.1	135,561,249	327,269,438	135,561,249	327,269,438
Loans and receivables	23.2	5,140,019,075	3,695,529,206	5,058,667,506	3,518,865,760
Available-for-sale	23.3	861,014,122	1,447,082,468	861,014,122	1,447,082,468
		6,136,594,446	5,469,881,112	6,055,242,877	5,293,217,666

Analysis of financial investments based on characteristics

Following notes provide disclosures of the financial investments based on characteristics of the each class of instrument.

NOTES TO THE FINANCIAL STATEMENTS

23 FINANCIAL INVESTMENTS (CONTINUED)

23.1 Fair value through profit or loss

Accounting policy - Recognition of fair value through profit or loss investments

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading. Attributable transaction costs are recognised in the statement of profit or loss as incurred. These investments are initially recorded at fair value. Subsequent to initial recognition, they are remeasured at fair value.

Changes in fair value are recorded under 'Fair value gains and losses' in the statement of profit or loss. Dividend income is recorded under 'Interest and dividend income' when the right to the payment has been established. The Company evaluates its financial assets at fair value through profit or loss (held for trading) by considering whether the intent to sell them in the near term is still appropriate.

As at	31.12.2017 Rs.	31.12.2016 Rs.
Listed equity securities	135,561,249	327,269,438
	135,561,249	327,269,438

Details of investments in listed equity securities are given below.

As at	31.12.2017				31.12.2016			
Sector and Company	No. of shares	Cost	Carrying value	Fair value	No. of shares	Cost	Carrying value	Fair value
Bank, finance and insurance								
Hatton National Bank PLC	-	-	-	-	101,740	11,136,280	19,330,600	19,330,600
Commercial Bank of Ceylon PLC	315,727	31,451,719	40,373,504	40,373,504	271,390	26,713,532	37,438,780	37,438,780
National Development Bank PLC	63,176	9,005,508	8,617,206	8,617,206	60,855	8,651,089	9,493,380	9,493,380
Sampath Bank PLC	-	-	-	-	691,094	156,584,892	179,960,878	179,960,878
Sector total	378,903	40,457,227	48,990,710	48,990,710	1,125,079	203,085,793	246,223,638	246,223,638
Diversified holdings								
John Keells Holdings PLC	338,072	53,185,422	50,203,692	50,203,692	338,072	53,185,422	49,020,440	49,020,440
Melstacorp PLC	100,000	3,385,326	5,950,000	5,950,000	200,000	6,770,652	11,860,000	11,860,000
Sunshine Holdings PLC	50,500	2,800,000	2,878,500	2,878,500	50,000	2,775,000	2,330,000	2,330,000
Access Engineering PLC	137,620	3,531,834	3,234,070	3,234,070	-	-	-	-
Sector total	626,192	62,902,582	62,266,262	62,266,262	588,072	62,731,074	63,210,440	63,210,440

As at	31.12.2017				31.12.2016			
Sector and Company	No. of shares	Cost	Carrying value	Fair value	No. of shares	Cost	Carrying value	Fair value
Chemicals and pharmaceuticals								
CIC Holdings PLC	87,000	6,739,900	4,123,800	4,123,800	87,000	6,739,900	5,916,000	5,916,000
Sector total	87,000	6,739,900	4,123,800	4,123,800	87,000	6,739,900	5,916,000	5,916,000
Motors								
United Motors Lanka PLC	50,000	5,000,000	3,900,000	3,900,000	50,000	5,000,000	4,300,000	4,300,000
Sector total	50,000	5,000,000	3,900,000	3,900,000	50,000	5,000,000	4,300,000	4,300,000
Manufacturing								
Kelani Cables PLC	20,000	2,522,102	1,808,000	1,808,000	20,000	2,522,102	2,600,000	2,600,000
Teejay Lanka PLC	174,983	7,201,275	5,949,422	5,949,422	75,000	3,157,500	3,210,000	3,210,000
Royal Ceramics Lanka PLC	30,000	3,750,000	3,435,000	3,435,000	-	-	-	-
Tokyo Cement Company (Lanka) PLC	50,000	3,605,000	3,300,000	3,300,000	-	-	-	-
Sector total	274,983	17,078,377	14,492,422	14,492,422	95,000	5,679,602	5,810,000	5,810,000
Plantations								
Horana Plantations PLC	-	-	-	-	20,000	767,956	358,000	358,000
Sector total	-	-	-	-	20,000	767,956	358,000	358,000
Land and property								
Overseas Reality (Ceylon) PLC	101,594	2,257,264	1,788,055	1,788,055	72,568	1,676,744	1,451,360	1,451,360
	101,594	2,257,264	1,788,055	1,788,055	72,568	1,676,744	1,451,360	1,451,360
Total	1,518,672	134,435,350	135,561,249	135,561,249	2,037,719	285,681,069	327,269,438	327,269,438

NOTES TO THE FINANCIAL STATEMENTS

23 FINANCIAL INVESTMENTS (CONTINUED)

23.2 Loans and receivables

Accounting policy - Recognition of loans and receivables investments

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium if any, on acquisition and fee or costs that are an integral part of the EIR. EIR amortisation is included in the statement of profit or loss arising from impairment are recognised as an expense in the statement of profit or loss.

Gains and losses are recognised in the statement of profit or loss when the investments are de-recognised or impaired, as well as through the amortisation process. Loans and receivables comprise investments in fixed deposits, debentures, reverse repurchase agreements, staff loans, rent deposits and savings accounts.

		Carrying value		Fair value	
As at	Note	31.12.2017 Rs.	31.12.2016 Rs.	31.12.2017 Rs.	31.12.2016 Rs.
Repurchase agreements	23.2.1	579,758,563	287,285,426	579,758,563	287,285,426
Staff loans	23.2.2	24,034,934	22,462,615	22,159,078	17,255,279
Rent deposits		45,199,893	1,530,610	45,199,893	1,530,610
Fixed deposits	23.2.3	2,709,568,064	1,545,134,386	2,789,562,274	1,552,128,770
Listed debentures	23.2.4	1,757,152,176	1,818,034,177	1,597,682,253	1,639,583,683
Savings accounts		24,305,445	21,081,992	24,305,445	21,081,992
		5,140,019,075	3,695,529,206	5,058,667,506	3,518,865,760

23.2.1 Repurchase agreements

The Company has invested in reverse repurchase agreements (REPO) with People's Bank and Commercial Bank which are fully secured against the assigned government securities with ISIN numbers. REPO rates for the outstanding balances were in the range of 6.25% - 8.10%, depending on different maturities.

23.2.2 Staff loans

The Company grants vehicle loans and supporting loans for the employees of the Company. Terms of the staff loans and interest rate prevailing for the staff loans as follows.

Loan category	Interest rate	Term
Vehicle loans	6%	6 years (maximum)
Supporting loans	0%	3 years (maximum)

However, the carrying value of the staff loans has been computed based on the market interest rates which prevailed at the time of granting the loan and the fair value of the same has been computed based on the interest rates prevailed at the reporting date.

Impairment of staff loans

The Board of Directors has assessed potential impairment loss of staff loans as at 31st December 2017. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date in respect of staff loans.

23.2.3 Fixed deposits

The Company has invested in fixed deposits on licensed commercial banks and registered finance companies during the period for a maximum term of one year. Interest rates for fixed deposits were in the range of 9% - 13.5% during the year ended, depending on the tenures and the risk of institutions.

As at	Note	Carrying value 31.12.2017 Rs.	Carrying value 31.12.2016 Rs.
Licensed commercial banks	23.2.3.1	2,009,167,131	960,374,295
Registered finance companies	23.2.3.2	700,400,933	584,760,091
		2,709,568,064	1,545,134,386

23.2.3.1 Licensed commercial banks

As at	Carrying value 31.12.2017 Rs.	Carrying value 31.12.2016 Rs.
People's Bank	82,439,636	64,814,122
Other banks	1,926,727,495	895,560,173
	2,009,167,131	960,374,295

23.2.3.2 Registered finance companies

As at	Carrying value 31.12.2017 Rs.	Carrying value 31.12.2016 Rs.
People's Leasing & Finance PLC	288,262,262	206,738,166
Other finance companies	412,138,671	378,021,925
	700,400,933	584,760,091

NOTES TO THE FINANCIAL STATEMENTS

23 FINANCIAL INVESTMENTS (CONTINUED)

23.2.4 Listed debentures

As at	Carrying value 31.12.2017 Rs.	Carrying value 31.12.2016 Rs.
Institution		
People's Leasing & Finance PLC		
16.75% 500,000 debentures redeemable on 26.03.2018	54,235,499	54,232,860
17.00% 500,000 debentures redeemable on 26.03.2018	58,560,215	58,573,042
Merchant Bank of Sri Lanka & Finance PLC		
17.50% 938,800 debentures redeemable on 27.03.2018	110,412,893	110,442,279
Sampath Bank PLC		
13.00% 298,000 debentures redeemable on 04.12.2018	31,756,428	31,756,071
13.40% 298,000 debentures redeemable on 04.12.2018	33,801,590	33,810,880
8.25% 1,250,000 debentures redeemable on 14.12.2019	135,324,961	135,353,346
9.90% 500,000 debentures redeemable on 18.12.2020	50,590,739	50,560,092
National Development Bank PLC		
13.00% 75,700 debentures redeemable on 19.12.2018	8,066,739	8,066,677
13.40% 75,700 debentures redeemable on 19.12.2018	8,585,456	8,587,928
Zero coupon 282,800 debentures redeemable on 24.06.2020	21,914,834	20,291,369
DFCC Bank PLC		
8.50% 646,600 debentures redeemable on 19.08.2017	-	66,655,706
9.40% 332,100 debentures redeemable on 10.06.2020	35,006,179	35,005,890
10.625% 1,000,000 debentures redeemable on 18.03.2019	108,330,781	108,301,677
12.75% 1,000,000 debentures redeemable on 09.11.2023	101,846,914	101,810,208
Seylan Bank PLC		
8.00% 1,000,000 debentures redeemable on 22.12.2018	104,216,077	100,193,484
MTD Walkers PLC		
9.75% 500,000 debentures redeemable on 30.09.2018	51,229,051	51,211,327
Commercial Credit & Finance PLC		
10.40% 1,000,000 debentures redeemable on 10.12.2020	100,614,229	100,614,464
Sanasa Development Bank PLC		
10.30% 500,000 debentures redeemable on 31.12.2020	52,621,836	52,621,842
Commercial Bank PLC		
10.75% 2,000,000 debentures redeemable on 08.03.2021	206,648,963	206,648,964
12% 421,900 debentures redeemable on 27.10.2021	43,075,258	43,060,980
Hatton National Bank PLC		
11.25% 2,000,000 debentures redeemable on 01.11.2023	216,916,177	216,916,823
13% 193,300 debentures redeemable on 01.11.2023	19,729,253	19,721,986
Nations Trust Bank PLC		
12.65% 2,000,000 debentures redeemable on 09.11.2023	203,668,104	203,596,282
	1,757,152,176	1,818,034,177

23.2.3 Impairment of loans and receivable financial investments

At the reporting date, there were no loans and receivables that were overdue and impaired.

23.3 Available-for-sale

Accounting policy - Recognition of available-for-sale investments

Available-for-sale financial investments may include equity and debt securities (government securities and corporate debt). Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After the initial measurement, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised in other comprehensive under available-for-sale reserve. Interest earned whilst holding available-for sale investments is reported as 'Interest and dividend income' using the EIR. Dividends earned whilst holding available-for-sale investments are recognised in the statement of profit or loss as 'Interest and dividend income' when the right of the payment has been established. When the asset is de-recognised, cumulative gain or loss in the statement of profit or loss and other comprehensive income is transferred to the statement of profit or loss. If the asset is determined to be impaired, the cumulative loss is recognised in the statement of profit or loss and removed from the available-for-sale reserve.

The Company evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets, the Company may elect to reclassify these financial assets, if management has the ability and intention to hold the assets for the foreseeable future or until maturity. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and management has the intention and ability to hold these assets for the foreseeable future or until maturity. The reclassification to held to maturity investments is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

For a financial asset reclassified out of the available-for-sale category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to the statement of profit or loss over the remaining life of the investment using EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

	Carrying value		Fair value	
As at	31.12.2017 Rs.	31.12.2016 Rs.	31.12.2017 Rs.	31.12.2016 Rs.
Treasury bills	806,059,822	1,348,155,370	806,059,822	1,348,155,370
Treasury bond	54,954,300	50,574,200	54,954,300	50,574,200
Unit trust	-	48,352,898	-	48,352,898
	861,014,122	1,447,082,468	861,014,122	1,447,082,468

23.3.1 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

23 FINANCIAL INVESTMENTS (CONTINUED)

23.4 Movement in financial investments

	Fair value through profit or loss Rs.	Loans and receivables Rs.	Available-for-sale Rs.	Total Rs.
As at 1 January 2016	333,570,843	3,528,479,543	1,069,388,449	4,931,438,835
Purchases	73,085,390	17,622,158,860	2,471,911,986	20,167,156,236
Disposals/repayments	(73,811,196)	(17,455,109,197)	(2,086,101,209)	(19,615,021,602)
Fair value losses recorded in statement of profit or loss	(5,575,599)	-	-	(5,575,599)
Fair value losses recorded in statement of comprehensive income	-	-	(8,116,758)	(8,116,758)
As at 31 December 2016	327,269,438	3,695,529,206	1,447,082,468	5,469,881,112
Purchases	127,808,658	22,490,018,832	1,338,283,949	23,956,111,439
Disposals/repayments	(279,054,376)	(21,045,528,963)	(1,926,210,109)	(23,250,793,448)
Fair value losses recorded in statement of profit or loss	(40,462,471)	-	-	(40,462,471)
Fair value gains recorded in statement of comprehensive income	-	-	1,857,814	1,857,814
As at 31 December 2017	135,561,249	5,140,019,075	861,014,122	6,136,594,446

23.5 Determination of fair value

Methodologies and assumptions used to determine fair value of the financial investments are disclosed in Note 41.1 to the financial statements.

23.6 Disclosure of financial risk

The Company's exposure to credit, currency and interest rate risks related to investments are disclosed in Note 43 to the financial statements.

23.7 Financial investments pledged as security

As at 31 December 2017, the following financial investments were pledged as securities by the Company.

(i) The Company has obtained a bank overdraft facility from People's Bank by pledging a fixed deposit amounting to Rs. 10,000,000.
(ii The Company has obtained a bank guarantee for Rs. 2,000,000 from People's Bank by pledging a fixed deposit amounting to Rs. 2,000,000.

24 REINSURANCE RECEIVABLES

Accounting policy - Reinsurance receivables

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.

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

Reinsurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable.

Reinsurance assets are de-recognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises 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 profit or loss.

As at	31.12.2017 Rs.	31.12.2016 Rs.
Reinsurance receivables on outstanding claims	249,714,521	104,504,736

As at	31.12.2017 Rs.	31.12.2016 Rs.
Payee-wise		
National Insurance Trust Fund	174,800,165	73,153,315
Foreign reinsurers	74,914,356	31,351,421
	249,714,521	104,504,736

24.1 Reinsurance receivables on outstanding claims
This includes reinsurance reserve of claims that has not been paid yet.

24.2 Collateral details
The Company does not hold collateral as security against potential default by reinsurance counter parties.

24.3 Assessment of impairment of reinsurance receivables
The Board of Directors has assessed the potential impairment indicators of reinsurance receivables as at 31 December 2017. Based on the assessment, no impairment indicators were identified and therefore no impairment provision is required to be made in the financial statements as at the reporting date in respect of reinsurance receivables (2016 - Nill).

24.4 Fair value of reinsurance receivables
The carrying value of reinsurance receivables approximates the fair value at the reporting date.

24.5 Risk management
Please refer Note 43 for risk management measures taken relating to reinsurance.

NOTES TO THE FINANCIAL STATEMENTS

25 INSURANCE RECEIVABLES

Accounting policy - Insurance receivables

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

Insurance receivables are de-recognised, when the de-recognition criteria for financial assets have been met.

As at	Note	31.12.2017 Rs.	31.12.2016 Rs.
Policyholders		82,293,878	60,788,830
Related parties	25.1	697,109,008	627,787,109
Agents, brokers and intermediates		74,589,114	45,631,680
		853,992,000	734,207,619
Less: Provision for impairment	25.2	(15,072,959)	(10,016,618)
Insurance receivables net of impairment		838,919,041	724,191,001

25.1 Insurance receivables from related parties

As at	31.12.2017 Rs.	31.12.2016 Rs.
People's Leasing & Finance PLC	643,969,294	588,154,175
People's Bank	26,019,548	25,452,217
People's Microfinance Limited	23,443,116	12,921,707
Other related parties	3,677,050	1,259,010
	697,109,008	627,787,109

25.2 Impairment movement

	31.12.2017 Rs.	31.12.2016 Rs.
Opening balance	10,016,618	5,760,690
Provision made during the year	5,056,341	4,255,928
Closing balance	15,072,959	10,016,618

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

25.3 Analysis of impairment provision on insurance receivables

As at	31.12.2017		31.12.2016	
	Age category	Provision for impairment	Age category	Provision for impairment
0 - 30 days	462,378,011	391,224	421,179,526	375,406
31 - 60 days	295,681,986	894,438	255,878,962	808,569
61 - 90 days	60,233,229	1,887,345	34,263,966	1,204,294
Over 90 days	35,698,774	11,899,952	22,885,165	7,628,349
	853,992,000	15,072,959	734,207,619	10,016,618

25.4 Collateral details

The Company does not hold any collateral as security against potential default by policyholders.

25.5 Assessment of impairment of insurance receivables

The Board of Directors has assessed potential impairment loss of insurance receivables as at 31 December 2017. Based on the assessment, it was concluded that there is no requirement for an additional impairment loss provision other than amounts provided.

25.6 Fair value of insurance receivables

The carrying amount disclosed above approximates the fair value at the reporting date.

25.7 Risk management

Please refer Note 43 for risk management measures taken relating to insurance receivables.

26 DEFERRED EXPENSES

Accounting policy - Acquisition expenses

Costs of acquiring new businesses, including commission, underwriting, marketing and policy issuance expenses, which vary with and directly related to production of new businesses are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, Deferred Acquisition Costs (DAC) are amortised over the period on the basis unearned premium is amortised.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

DAC is de-recognised when the related contracts are either expired or cancelled.

An impairment review of DAC is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss. DAC is also considered in the liability adequacy test for each reporting period.

NOTES TO THE FINANCIAL STATEMENTS

26 DEFERRED EXPENSES (CONTINUED)

Accounting policy - 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.

As at	2017 Rs.	2016 Rs.
Reserve for deferred acquisition expenses		
As at 1 January	234,339,280	212,197,334
Increase in deferred acquisition expenses	19,090,642	22,141,946
As at 31 December	253,429,922	234,339,280
Reserve for deferred reinsurance commission		
As at 1 January	13,759,260	11,369,738
Increase in deferred reinsurance commission	1,413,876	2,389,522
As at 31 December	15,173,136	13,759,260
	238,256,786	220,580,020

27 OTHER ASSETS

Accounting policy - Recognition of other assets

Other assets which consist of non-financial assets are recognised at cost less any impairment losses.

Accounting policy - Tax recoverables

Tax recoverables of the Company consist of With Holding Tax (WHT) receivable and Economic Service Charge (ESC) receivables.

Accounting policy - ESC receivables

As per the provisions of the Economic Service Charge Act No. 13 of 2006, ESC is payable on the liable turnover at specified rates. ESC is deductible from the income tax liability. Any unclaimed receivable ESC amount can be carried forward and set-off against the income tax payable as per the relevant provisions in the Act.

However, with the amendment made to the above mentioned Act, if a company in relation to any relevant quarter commencing on or after 1 April 2012, where such part of the taxable income as consists of profits from any trade, business, profession or vocation assessed under the provisions of Inland Revenue Act No. 10 of 2006 is more than zero, the relevant turnover for such quarter is considered zero.

However, there were no any WHT receivable and ESC receivable balance remained as at 31 December 2017 due to set off against income tax payables (2016 - Nill).

Accounting policy - Recognition of inventories

Inventories include all consumable items which are stated at lower of cost and net realisable value.

As at	31.12.2017 Rs.	31.12.2016 Rs.
Non-financial assets		
Advances, deposits and prepayments	62,781,302	12,676,911
Inventory	4,825,988	2,244,060
Other receivables	1,941,768	1,082,179
	69,549,058	16,003,150

27.1 Loans to Directors

No loans have been granted to the Directors of the Company.

28 CASH AND BANK BALANCES

Accounting policy - Cash and bank balances

Cash and bank balances in the statement of financial position comprise cash at bank and cash in hand which are subject to an insignificant risk of changes in value.

As at	31.12.2017 Rs.	31.12.2016 Rs.
Cash in hand	192,370	135,149
Balances at bank	116,467,272	138,200,835
	116,659,642	138,335,984

28.1 Cash and Cash equivalents

Bank overdrafts, which form an integral part of cash management and savings accounts 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. Cash equivalents at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

As at	Note	31.12.2017 Rs.	31.12.2016 Rs.
Cash in hand and balances at banks		116,659,642	138,335,984
Saving accounts	23	24,305,445	21,081,992
Bank overdrafts	39	(68,837,192)	(74,244,436)
		72,127,895	85,173,540

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

29 STATED CAPITAL

Accounting policy - 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.

	2017		2016	
	No. of shares	Rs.	No. of shares	Rs.
Balance as at 1 January	200,000,000	1,350,000,000	150,000,000	1,350,000,000
Issue of ordinary shares pending allotment	-	-	-	(750,000,000)
Ordinary shares allotted	-	-	50,000,000	750,000,000
Balance as at 31 December	200,000,000	1,350,000,000	200,000,000	1,350,000,000

In January 2016, the Company issued 50,000,000 ordinary shares which were pending for allotment as at 31 December 2015. As a result of this new share issue, number of shares of the Company has increased to 200,000,000 as at 31 December 2016.

29.1 Rights of ordinary shareholders

All issued shares are fully paid and listed on the Colombo Stock Exchange. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at General Meetings of the Company.

30 RETAINED EARNINGS

	2017 Rs.	2016 Rs.
Balance as at 1 January	1,287,638,683	899,641,415
Profit for the year	773,085,446	657,997,268
Dividends paid	(350,000,000)	(270,000,000)
Balance as at 31 December	1,710,724,129	1,287,638,683

31 AVAILABLE-FOR-SALE RESERVES

Accounting policy - Available-for-sale

Available for-sale-reserves comprise the cumulative net change in the fair value of available-for-sale financial assets and is carried forward until the respective assets are de-recognised or impaired.

	2017 Rs.	2016 Rs.
Balance as at 1 January	(5,624,721)	1,952,501
Other comprehensive income for the year	6,444,368	(7,577,222)
Balance as at 31 December	819,647	(5,624,721)

32 OTHER RESERVES

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

	2017 Rs.	2016 Rs.
Balance as at 1 January	(2,557,028)	(599,783)
Other comprehensive income for the year	(1,746,922)	(1,957,245)
Balance as at 31 December	(4,303,950)	(2,557,028)

33 INSURANCE CONTRACT LIABILITIES

Accounting policy - Provision for net unearned premium

Provision for unearned premiums represent premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income. At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in the statement of profit or loss by setting up a provision for liability adequacy.

As required by SLFRS 4 - Insurance Contracts, the Company performs a Liability Adequacy Test (LAT) in respect of non-life contract liabilities with the assistance of an external actuary.

Accounting policy - Provision for gross outstanding claims

Non-life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries.

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

Accounting policy - Provision for gross incurred but not reported claims

Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation.

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of Claims Incurred But not 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.

NOTES TO THE FINANCIAL STATEMENTS

33 INSURANCE CONTRACT LIABILITIES (CONTINUED)

The main assumption underlying these techniques is that a company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

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

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

Claims development tables and sensitivity analysis relating to the insurance contract liabilities are included in the risk management note.

As at	Note	31.12.2017 Rs.	31.12.2016 Rs.
Provision for net unearned premium	33.2	2,473,712,190	2,216,720,105
Provision for gross outstanding claims	33.3	948,670,217	895,970,538
Provision for gross incurred but not reported (IBNR) claims	33.4	651,172,114	445,103,739
		4,073,554,521	3,557,794,382

33.1 Insurance contract liabilities

As at	Note	31.12.2017 Gross liabilities Rs.	31.12.2017 Reinsurance receivable Rs.	31.12.2017 Net liabilities Rs.	31.12.2016 Gross liabilities Rs.	31.12.2016 Reinsurance receivable Rs.	31.12.2016 Net liabilities Rs.
Provision for net unearned premium	33.2	2,546,177,201	(72,465,011)	2,473,712,190	2,290,665,375	(73,945,270)	2,216,720,105
Outstanding claims							
Provision for gross outstanding claims	33.3	948,670,217	(83,970,598)	864,699,619	895,970,538	(72,829,188)	823,141,350
Provision for gross IBNR claims	33.4	651,172,114	(165,743,923)	485,428,191	445,103,739	(31,675,548)	413,428,191
		4,146,019,532	(322,179,532)	3,823,840,000	3,631,739,652	(178,450,006)	3,453,289,646

33.2 Provision for net unearned premium

	2017			2016		
	Gross liabilities Rs.	Reinsurance receivable Rs.	Net liabilities Rs.	Gross liabilities Rs.	Reinsurance receivable Rs.	Net liabilities Rs.
As at 1 January	2,290,665,375	(73,945,270)	2,216,720,105	1,993,088,802	(54,821,390)	1,938,267,412
Premium written during the year	4,781,919,015	(427,744,495)	4,354,174,520	4,352,406,888	(350,721,288)	4,001,685,600
Premium earned during the year	(4,526,407,189)	429,224,754	(4,097,182,435)	(4,054,830,320)	331,597,408	(3,723,232,907)
As at 31 December	2,546,177,201	(72,465,011)	2,473,712,190	2,290,665,375	(73,945,270)	2,216,720,105

33.3 Provision for gross outstanding claims

	2017			2016		
	Gross liabilities Rs.	Reinsurance receivable Rs.	Net liabilities Rs.	Gross liabilities Rs.	Reinsurance receivable Rs.	Net liabilities Rs.
As at 1 January	895,970,538	(72,829,188)	823,141,350	813,614,237	(51,100,818)	762,513,419
Claims incurred during the year	2,864,420,661	(91,426,211)	2,772,994,450	2,664,254,451	(78,459,387)	2,585,795,064
Claims paid during the year	(2,811,720,982)	80,284,801	(2,731,436,181)	(2,581,898,150)	56,731,017	(2,525,167,133)
As at 31 December	948,670,217	(83,970,598)	864,699,619	895,970,538	(72,829,188)	823,141,350

33.4 Provision for gross IBNR claims

	2017			2016		
	Gross liabilities Rs.	Reinsurance receivable Rs.	Net liabilities Rs.	Gross liabilities Rs.	Reinsurance receivable Rs.	Net liabilities Rs.
As at 1 January	445,103,739	(31,675,548)	413,428,191	414,734,867	(43,806,676)	370,928,191
Provision made during the year	206,068,375	(134,068,375)	72,000,000	30,368,872	12,131,128	42,500,000
As at 31 December	651,172,114	(165,743,923)	485,428,191	445,103,739	(31,675,548)	413,428,191

NOTES TO THE FINANCIAL STATEMENTS

33 INSURANCE CONTRACT LIABILITIES (CONTINUED)

33.5 Reconciliation between insurance provision and technical reserves

As at	31.12.2017 Rs.	31.12.2016 Rs.
Insurance contract liabilities	4,073,554,521	3,557,794,382
Reinsurance on case reserves	(83,970,598)	(72,829,188)
Reinsurance on IBNR provision	(165,743,923)	(31,675,548)
Deferred expenses	(238,256,786)	(220,580,020)
Technical reserves	3,585,583,214	3,232,709,626

33.6 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 2017 as required by SLFRS 4 - Insurance Contracts in order to assess the adequacy of the carrying amount of the provision for unearned premiums. The valuation is based on internationally accepted actuarial methods and is performed on a quarterly basis. According to the report issued by NMG Financial Services Consulting Pte Limited, the liability carried forward by the Company was adequate. Hence, no provision was made for premium deficiency for the year ended 31 December 2017 (2016 - Nil).

33.7 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 2017.

33.8 Changes in assumptions

There were no material estimation changes from the previous valuation done for the balance as at 31 December 2016.

34 EMPLOYEE DEFINED BENEFIT OBLIGATIONS

Accounting policy - Recognition and measurement of employee defined benefit obligations

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the financial statements in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date. The value of defined benefit obligation is calculated by a qualified Actuary as at the reporting date, using the Projected Unit Credit (PUC) method as recommended by LKAS 19 - Employee Benefits. An actuarial valuation involves making assumptions about discount rate, salary increment rate and balance service period of employees. Due to the long-term nature of the plans, such estimates are subject to significant uncertainty.

The remeasurement of the net defined benefit liability which comprises actuarial gains and losses are charged or credited to the statement of comprehensive income in the period in which they arise. The assumptions based on which the results of the actuarial valuation was determined, are included in Note 34.2.4 to the financial statements.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for the gratuity payment to an employee arises only on the completion of 5 years of continued service with the Company.

The provision of the Company is not externally funded.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

34.1 Defined benefit plans - Provision for employee benefits

As at	Note	31.12.2017 Rs.	31.12.2016 Rs.
Present value of unfunded obligation	34.2	17,881,854	12,920,220

34.2 Movement in the present value of the employee benefits

	Note	2017 Rs.	2016 Rs.
As at 1 January		12,920,220	6,027,515
Expenses recognised in statement of profit or loss	34.2.1	5,396,702	4,235,485
Payments during the year		(1,804,195)	(61,175)
Actuarial loss recognised in statement of comprehensive income	34.2.2	1,369,127	2,718,395
As at 31 December		17,881,854	12,920,220

34.2.1 Expenses recognised in statement of profit or loss

For the year ended	31.12.2017 Rs.	31.12.2016 Rs.
Interest cost	3,846,276	1,136,864
Current service cost	1,550,426	3,098,621
	5,396,702	4,235,485

34.2.2 Expenses recognised in statement of comprehensive income

For the year ended	31.12.2017 Rs.	31.12.2016 Rs.
Actuarial loss	1,369,127	2,718,395

34.2.3 Valuation of employee benefit obligations

Gratuity liability as at 31 December 2017 was actuarially valued under the Projected Unit Credit method by Smiles Global (Private) Limited, a firm with actuarial expertise as required by LKAS 19 - Employee Benefits.

NOTES TO THE FINANCIAL STATEMENTS

34 EMPLOYEE DEFINED BENEFIT OBLIGATIONS (CONTINUED)

34.2.4 Principal actuarial assumptions used

	2017	2016
Actuarial information		
(a) Discount rate	10%	12%
(b) Salary increase	10%	10%
(c) Incidence of withdrawal	13%	8%
(e) Mortality rates	A1967/70	A1967/70
(g) Disability rates	Standard RI rates	Standard RI rates
Employee information		
(a) Average age	27	27
(b) Average service period (years)	2.69	2.43
(c) Expected future working life time (years)	7.27	10.85
(d) Number of employees	385	330

34.3 Sensitivity analysis

The sensitivity analysis below has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment liability measurement.

As at	31.12.2017		31.12.2016	
	Increase Rs.	Decrease Rs.	Increase Rs.	Decrease Rs.
Discount rate 1%	(1,009,762)	1,138,592	(799,724)	919,644
Future salary growth 1%	1,194,607	(1,078,176)	943,829	(833,237)

35 OTHER FINANCIAL LIABILITIES

Accounting policy - Recognition of financial liabilities

The Company initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument. A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in the statement of profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in the statement of profit or loss. Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities consist of amount due to related parties, other creditors including accruals and outstanding commission payable.

Accounting policy - Derecogntion of other financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

As at	Note	31.12.2017 Carrying value Rs.	31.12.2017 Fair value Rs.	31.12.2016 Carrying value Rs.	31.12.2016 Fair value Rs.
Other creditors including accrued expenses	35.1	234,078,119	234,078,119	162,408,258	162,408,258
Commission payable		159,669,051	159,669,051	159,504,186	159,504,186
Amounts due to related parties	35.2	15,213,184	15,213,184	23,449,687	23,449,687
		408,960,354	408,960,354	345,362,131	345,362,131

35.1 Other creditors including accrued expenses

As at	31.12.2017 Rs.	31.12.2016 Rs.
Other creditors	172,933,337	131,519,019
Accrued expenses	61,144,782	30,889,239
	234,078,119	162,408,258

35.2 Amounts due to related parties

As at	31.12.2017 Rs.	31.12.2016 Rs.
People's Leasing & Finance PLC	14,832,500	23,114,460
People's Leasing Fleet Management Limited	380,684	335,227
	15,213,184	23,449,687

36 OTHER LIABILITIES

Accounting policy - Other liabilities

Other liabilities include government levies payable other than income tax payable and these liabilities are not financial liabilities as per LKAS 39 - Financial Instruments: Recognition and Measurement. These liabilities are recorded at amounts expected to be payable as at the reporting date.

As at	31.12.2017 Rs.	31.12.2016 Rs.
Value Added Tax (VAT) payable	23,950,813	23,024,586
Cess payable	4,721,271	4,236,089
Nations Building Tax (NBT) payable	8,372,908	7,507,272
Other government levies payable	7,450,110	2,205,215
	44,495,102	36,973,162

NOTES TO THE FINANCIAL STATEMENTS

37 REINSURANCE PAYABLES

Accounting policy - Recognition and measurement of reinsurance payables

Reinsurance liabilities represent balances due to insurance companies. Reinsurance assets or liabilities are de-recognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Payee-wise

As at	31.12.2017 Rs.	31.12.2016 Rs.
Domestic reinsurer - National Insurance Trust Fund (NITF)	22,279,031	27,099,027
Foreign reinsurers	13,436,805	14,333,326
	35,715,836	41,432,353

The carrying amount disclosed above approximates the fair value at the reporting date.

All amounts payable on reinsurance business are payable within one year.

38 INCOME TAX PAYABLE

Accounting policy - Income tax payable

Current income tax liabilities for the current period are measured at the amount expected to be paid to the taxation authorities. Tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in the statement of profit or loss. The management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

For the year ended	31.12.2017 Rs.	31.12.2016 Rs.
Balance as at 1 January	21,960,225	75,219,452
Provision for the year	92,666,233	81,408,320
Under/(over) provision of taxes in respect of prior years	(265,517)	116,561
Self-assessment payments	(24,226,000)	(92,634,139)
Tax credits	(51,704,977)	(42,149,969)
Balance as at 31 December	38,429,964	21,960,225

39. BANK OVERDRAFTS

As at	31.12.2017 Rs.	31.12.2016 Rs.
Bank overdrafts	68,837,192	74,244,436

The bank overdraft amounting to Rs. 9,000,000 is subject to variable overdraft interest rate of People's Bank. The overdraft facility is secured by a fixed deposit of Rs. 10,000,000 and, unused overdraft facility amounted to Rs. 9,000,000 as at the reporting date (2016 - Rs. 9,000,000).

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

As at	31.12.2017			31.12.2016		
	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	11,000,000	-	11,000,000	23,388,110	-	23,388,110
Property, plant and equipment	84,392,671	-	84,392,671	21,388,037	-	21,388,037
Deferred tax asset	28,484	-	28,484	1,871,693	-	1,871,693
Financial investments	6,136,594,446	3,972,910,047	2,163,684,399	5,469,881,112	3,198,595,895	2,271,285,217
Reinsurance receivables	249,714,521	249,714,521	-	104,504,736	104,504,736	-
Insurance receivables	838,919,041	838,919,041	-	724,191,001	724,191,001	-
Deferred expenses	238,256,786	238,256,786	-	220,580,020	220,580,020	-
Other assets	69,549,058	69,549,058	-	16,003,150	16,003,150	-
Cash and bank balances	116,659,642	116,659,642	-	138,335,984	138,335,984	-
Total assets	7,745,114,649	5,486,009,095	2,259,105,554	6,720,143,843	4,402,210,786	2,317,933,057
Liabilities						
Insurance contract liabilities	4,073,554,521	4,016,554,888	56,999,633	3,557,794,382	3,484,239,832	73,554,550
Employee defined benefit obligations	17,881,854	-	17,881,854	12,920,220	-	12,920,220
Other financial liabilities	408,960,354	408,960,354	-	345,362,131	345,362,131	-
Other liabilities	44,495,102	44,495,102	-	36,973,162	36,973,162	-
Reinsurance payable	35,715,836	35,715,836	-	41,432,353	41,432,353	-
Income tax payable	38,429,964	38,429,964	-	21,960,225	21,960,225	-
Bank overdrafts	68,837,192	68,837,192	-	74,244,436	74,244,436	-
Total liabilities	4,687,874,823	4,612,993,336	74,881,487	4,090,686,909	4,004,212,139	86,474,770

NOTES TO THE FINANCIAL STATEMENTS

41. ACCOUNTING CLASSIFICATION AND FAIR VALUE

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

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

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

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

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

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

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

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

As at		31.12.2017				
	Note	Fair value through profit or loss Rs.	Available-for-sale Rs.	Loans and receivables Rs.	Total carrying amount Rs.	Fair value Rs.
Financial assets						
Financial investments	23					
Measured at fair value		135,561,249	861,014,122	-	996,575,371	996,575,371
Measured at amortised cost		-	-	5,140,019,075	5,140,019,075	5,058,667,506
Reinsurance receivables	24	-	-	249,714,521	249,714,521	249,714,521
Insurance receivables	25	-	-	838,919,041	838,919,041	838,919,041
Cash and bank balances	28	-	-	116,659,642	116,659,642	116,659,642
Total		135,561,249	861,014,122	6,345,312,279	7,341,887,650	7,260,536,081
Financial liabilities						
Reinsurance payables	37	-	-	35,715,836	35,715,836	35,715,836
Other financial liabilities (excluding government levies)	35	-	-	408,960,354	408,960,354	408,960,354
Bank overdrafts	39	-	-	68,837,192	68,837,192	68,837,192
		-	-	513,513,382	513,513,382	513,513,382

As at		31.12.2016				
	Note	Fair value through profit or loss Rs.	Available-for-sale Rs.	Loans and receivables Rs.	Total carrying amount Rs.	Fair value Rs.
Financial assets						
Financial investments	23					
Measured at fair value		327,269,438	1,447,082,468	-	1,774,351,906	1,774,351,906
Measured at amortised cost		-	-	3,695,529,206	3,695,529,206	3,518,865,760
Reinsurance receivables	24	-	-	104,504,736	104,504,736	104,504,736
Insurance receivables	25	-	-	724,191,001	724,191,001	724,191,001
Cash and bank balances	28	-	-	138,335,984	138,335,984	138,335,984
Total		327,269,438	1,447,082,468	4,662,560,927	6,436,912,833	6,260,249,387
Financial liabilities						
Reinsurance payables	37	-	-	41,432,353	41,432,353	41,432,353
Other financial liabilities (excluding government levies)	35	-	-	345,362,131	345,362,131	345,362,131
Bank overdrafts	39	-	-	74,244,436	74,244,436	74,244,436
		-	-	461,038,920	461,038,920	461,038,920

NOTES TO THE FINANCIAL STATEMENTS

41. ACCOUNTING CLASSIFICATION AND FAIR VALUE (CONTINUED)

41.1 Determination of fair value and fair value hierarchy

Valuation of fair value of financial instruments

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

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

- **Level 1:** Listed/quoted (adjusted) prices in active markets for identical instruments are available. The Company measures the fair value of a financial instrument using active listed/quoted prices or dealer price quotations and managers buying price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

- **Level 2:** Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. This category includes instruments valued using; quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- **Level 3:** Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. Non-market observable input means that fair values are determined, in whole or in part, using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument, nor are they based on available market data.

41.2 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	31.12.2017				31.12.2016			
	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								
Listed equity securities	135,561,249	-	-	135,561,249	327,269,438	-	-	327,269,438
Available-for-sale financial assets								
Treasury bills	-	806,059,822	-	806,059,822	-	1,348,155,370	-	1,348,155,370
Treasury bonds	-	54,954,300	-	54,954,300	-	50,574,200	-	50,574,200
Unit trust	-	-	-	-	-	48,352,898	-	48,352,898
Assets measured at amortised cost and fair values are disclosed*;								
Loans and receivables								
Repurchase agreements	-	579,758,563	-	579,758,563	-	287,285,426	-	287,285,426
Staff loans	-	22,159,078	-	22,159,078	-	17,255,279	-	17,255,279
Rent deposits	-	45,199,893	-	45,199,893	-	1,530,610	-	1,530,610
Fixed deposits	-	2,789,562,274	-	2,789,562,274	-	1,552,128,770	-	1,552,128,770
Savings accounts	-	24,305,445	-	24,305,445	-	21,081,992	-	21,081,992
Listed debentures	1,597,682,253	-	-	1,597,682,253	1,639,583,683	-	-	1,639,583,683
Total financial assets	1,733,243,502	4,321,999,375	-	6,055,242,877	1,966,853,121	3,326,364,545	-	5,293,217,666

* Fair values are determined based on the assumptions given in Note 41.3.

41.3 Financial instruments not carried at fair value

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

Assets for which fair value approximates carrying value

For financial assets/liabilities that have a short term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. The following table lists those financial instruments for which their carrying amounts are a reasonable approximation of fair value due to their short term nature. This assumption is also applied to savings accounts without a specific maturity.

Assets

Cash in hand and balances at bank
Repurchase agreements
Fixed deposits with less than three months remaining maturity
Savings accounts
Insurance receivables
Reinsurance receivables

Liabilities

Bank overdrafts
Outstanding commission payable
Amounts due to related parties
Other creditors including accrued expenses
Reinsurance payable

NOTES TO THE FINANCIAL STATEMENTS

41. ACCOUNTING CLASSIFICATION AND FAIR VALUE (CONTINUED)

Fixed deposits with more than three months remaining maturity

The fair values are estimated based on discounted cash flows, using rates currently available for similar instruments on similar term, credit risk and remaining maturities.

Debentures

Fair values of debentures are determined based on the last traded market price of the instrument published at the Colombo Stock Exchange.

Staff loans

Fair values are computed based on the interest rate that prevailed at reporting date.

42 CAPITAL MANAGEMENT

The Company has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

(a) To maintain the required level of stability of the Company thereby providing a degree of security to policyholders.
(b) To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and shareholders.
(c) To retain financial flexibility by maintaining strong liquidity.
(d) To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders.
(e) To maintain capital above the minimum regulatory capital requirement stipulated by the Insurance Regulatory Commission of Sri Lanka (IRCSL).

The operations of the Company are also subject to regulatory requirement of the IRCSL. The regulations imposed, not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy under the risk based capital regime) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseeable liabilities as they arise.

The Company has met all these requirements during the financial year.

In reporting financial strength, capital and solvency are measured using the rules issued by the IRCSL, including the risk based capital rules. These regulatory capital tests are based on the risk based formula with the principles of market consistent valuation methodology and defines the capital that is available to meet the standard.

Approach to capital management

The Company seeks to optimise the structure and sources of capital and maintain the required level of risk based capital to ensure that it consistently maximises returns to the shareholders and policyholders while complying with the regulatory requirements.

The Company's approach to managing capital involves managing assets, liabilities and risks in a cordinated way, assessing shortfalls between available and required capital levels (by regulated entity) on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics. An important aspect of the Company's overall capital management are aligned to performance objectives and ensure that the Company is focused on the creation of value for shareholders.

The primary source of capital used by the Company is total equity and it includes stated capital and the retained earnings.

The capital requirements are measured based on the risk based capital regime which is calculated on a periodic basis and assessed against both the available capital and determine the capital adequacy ratio of the Company, including sensitivity analysis. The process is ultimately subject to approval of the Board.

The Company has made no significant changes, from previous years, to its policies and processes for its capital structure.

Available capital resources based on Risk Based Capital

As at	31.12.2017 Rs.	31.12.2016 Rs.
Total shareholders' funds as per financial statements	3,057,239,826	2,629,456,934
Adjustments based on regulatory requirements	(15,634,373)	225,781,935
Deductions based on regulatory requirements	(215,901,386)	(72,988,763)
Total available capital	2,825,704,067	2,782,250,106

43 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 department and the Board Audit Committee. The internal audit department undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

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 IRCSL. The Company has taken necessary action to comply with and complied with applicable regulations throughout the year.

NOTES TO THE FINANCIAL STATEMENTS

43 RISK MANAGEMENT FRAMEWORK (CONTINUED)

(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 counter-party 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 - Insurance receivables

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 IRCSL into consideration when developing the aforementioned credit policy. As a result of rigourus follow up of outstanding premiums, the policies which are not settled within the approved credit periods are cancelled on a regular basis. The Company checks the status of the outstanding premium before settling claims to reduce the credit risk. The Company has implemented an impairment review for premium receivables periodically and provide for the same based on the results of the review.

Management of credit risk - Reinsurance receivables

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, Singapore	A-	A. M. Best
Everest Reinsurance Company, Singapore	A+	A. M. Best
First Capital Insurance Ltd, Singapore	A	A. M. Best
Federal Insurance Co Ltd, Malaysia	A++	A. M. Best
General Insurance Corporation of India, Mumbai, India	A-	A. M. Best
Labuan Reinsurance Ltd, Malaysia	A-	A. M. Best
Lloyd's, United Kingdom	A	A. M. Best
Malaysian Reinsurance Bhd, Kuala Lumpur, Malaysia	A-	A. M. Best
MAPFRE Asistencia, Spain	A	Standard & Poor's
Swiss Reinsurance Company Ltd, Singapore Branch	A+	A. M. Best
Trust International Insurance and Reinsurance (B.S.C.)	A-	A. M. Best
XL Insurance Co. Ltd.	A	A. M. Best

In addition to the above reinsurers, the Company makes the compulsory contributions to the National Insurance Trust Fund, rated AA- by Fitch Ratings, on a regular basis.

Management of credit risk - Financial investments (Except listed equity securities)
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 IRCSL.

Management of credit risk - Cash at bank
The Company's exposure to credit risk with relevant to Cash and bank balances is minimal since these balances are maintained at banks and finance companies with high credit ratings.

Credit exposure
The Company's maximum exposure to credit risk for the components of the statement of financial position as at 31 December 2017 and 2016 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 counter parties obtained from Fitch Ratings Lanka, RAM Ratings Lanka, Standard & Poor's and A. M. Best.

As at 31 December 2017

	Neither past-due nor impaired						
	Risk free	AAA to AA-	A+ to A-	BBB+ to BB-	Non-rated	Past-due but not impaired	Total
Available-for-sale financial assets							
Investments in government securities	861,014,122	-	-	-	-	-	861,014,122
Loans and receivables							
Repurchase agreements	579,758,563	-	-	-	-	-	579,758,563
Debentures	-	683,110,524	1,022,812,601	51,229,051	-	-	1,757,152,176
Fixed deposits	-	1,615,913,501	1,093,654,563	-	-	-	2,709,568,064
Savings accounts	-	24,305,445	-	-	-	-	24,305,445
Staff loans and rent deposits	-	-	-	-	69,234,827	-	69,234,827
Insurance receivables	-	646,068,337	-	-	172,224,889	35,698,774	853,992,000
Reinsurance receivables	-	68,181,790	181,532,731	-	-	-	249,714,521
Cash and bank balances	-	115,478,951	988,321	-	192,370	-	116,659,642
Total	1,440,772,685	3,153,058,548	2,298,988,216	51,229,051	241,652,086	35,698,774	7,221,399,360

NOTES TO THE FINANCIAL STATEMENTS

43 RISK MANAGEMENT FRAMEWORK (CONTINUED)

As at 31 December 2016

	Neither past-due nor impaired						
	Risk free	AAA to AA-	A+ to A-	BBB+ to BB-	Non-rated	Past-due but not impaired	Total
Available-for-sale financial assets							
Investments in government securities	1,398,729,570	-	-	-	-	-	1,398,729,570
Unit trust	-	-	-	-	48,352,898	-	48,352,898
Loans and receivables							
Repurchase agreements	287,285,426	-	-	-	-	-	287,285,426
Debentures	-	539,613,832	1,227,209,019	51,211,326	-	-	1,818,034,177
Fixed deposits	-	919,961,599	625,172,787	-	-	-	1,545,134,386
Savings accounts	-	21,081,992	-	-	-	-	21,081,992
Staff loans and rent deposits	-	-	-	-	23,993,225	-	23,993,225
Insurance receivables	-	597,450,368	-	-	113,872,088	22,885,163	734,207,619
Reinsurance receivables	-	23,657,598	80,847,138	-	-	-	104,504,736
Cash and bank balances	-	127,682,381	10,518,454	-	135,149	-	138,335,984
Total	1,686,014,996	2,229,447,770	1,943,747,398	51,211,326	186,353,360	22,885,163	6,119,660,013

Collateral adequacy

As a general principle, the Company endeavours to obtain adequate collateral to secure its investments as applicable. The Company focuses on quality and responsibility of such collateral to mitigate potential credit losses. The management monitors the market value of collateral, and requests additional collateral in accordance with the underlying agreement. A reasonable margin of safety is maintained in collateral values as follows.

	2017 Rs.	2016 Rs.
Carrying value of investments in repurchase agreements	579,758,563	287,285,426
Fair value of collateral	652,234,570	316,617,897
Excess value of collateral	72,476,007	29,332,471

- **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. In respect of catastrophic events, there is also a liquidity risk associated with timing differences between gross cash out-flows and expected reinsurance recoveries.

Management of liquidity risk

The following controls are in place to mitigate liquidity risk which is faced by the Company.

i. 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.
ii. 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.

iii. 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.
iv. Availability of a stand-by overdraft facility to be used only in the event of an emergency.
v. Determining the maturity profiles of insurance contract liabilities and reinsurance assets based on the estimated timing of net cash outflows from recognised insurance liabilities.
vi. Planning for all large cash outflows in advance and making necessary arrangements to ensure the availability of funds to meet such outflows.

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.

Maturity profiles

The following table summarises the maturity profile of the financial assets, financial liabilities and insurance contract liabilities. Unearned premiums have been excluded from the analysis as they are not contractual obligations. The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseeable interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs.

Contractual maturities of undiscounted cash flows of financial assets and financial liabilities are provided below.

As at 31 December 2017

	0-6 months	7-12 months	1-2 years	Over 2 years	No stated maturity	Total
Financial assets						
Fair value through profit or loss						
Listed equity securities	-	-	-	-	135,561,249	135,561,249
Available-for-sale financial assets						
Investments in government securities	672,083,661	133,976,161	-	54,954,300	-	861,014,122
Loans and receivables						
Repurchase agreements	579,758,563	-	-	-	-	579,758,563
Debentures	223,208,607	237,655,341	243,655,742	1,052,632,485	-	1,757,152,176
Fixed deposits	2,135,102,738	574,465,326	-	-	-	2,709,568,064
Savings accounts	-	-	-	-	24,305,445	24,305,445
Staff loans and rent deposits	6,469,802	5,029,957	7,318,089	94,116,399	-	112,934,247
Insurance receivables (gross)	853,992,000	-	-	-	-	853,992,000
Reinsurance receivables	249,714,521	-	-	-	-	249,714,521
Cash and bank balances	116,467,272	-	-	-	-	116,467,272
Total	4,836,797,165	951,126,785	250,973,831	1,201,703,184	159,866,694	7,400,467,659
Financial liabilities						
Reinsurance payables	35,715,836	-	-	-	-	35,715,836
Insurance contract liabilities	2,388,675,191	1,610,876,571	5,317,564	68,685,195	-	4,073,554,521
Other financial liabilities	408,960,354	-	-	-	-	408,960,354
Bank overdrafts	68,837,192	-	-	-	-	68,837,192
Total	2,902,188,573	1,610,876,571	5,317,564	68,685,195	-	4,587,067,903

NOTES TO THE FINANCIAL STATEMENTS

43 RISK MANAGEMENT FRAMEWORK (CONTINUED)

As at 31 December 2016

	0-6 months	7-12 months	1-2 years	Over 2 years	No stated maturity	Total
Financial assets						
Fair value through profit or loss						
Listed equity securities	-	-	-	-	327,269,438	327,269,438
Available-for-sale financial assets						
Investments in government securities	1,348,155,370	-	-	50,574,200	-	1,398,729,570
Investment in unit trust	-	-	-	-	48,352,898	48,352,898
Loans and receivables						
Repurchase agreements	287,285,426	-	-	-	-	287,285,426
Debentures	-	49,235,450	398,631,770	1,787,662,816	-	2,235,530,036
Fixed deposits	1,490,834,858	60,670,816	-	-	-	1,551,505,674
Savings accounts	-	-	-	-	21,081,992	21,081,992
Staff loans and rent deposits	7,152,567	4,496,858	6,892,601	9,562,725	-	28,104,751
Insurance receivables (gross)	734,207,619	-	-	-	-	734,207,619
Reinsurance receivables	104,504,736	-	-	-	-	104,504,736
Cash and bank balances	138,200,835	-	-	-	-	138,200,835
Total	4,110,341,411	114,403,124	405,524,371	1,847,799,741	396,704,328	6,874,772,975
Financial liabilities						
Reinsurance payables	41,432,353	-	-	-	-	41,432,353
Insurance contract liabilities	2,733,409,168	750,830,662	5,658,042	67,896,508	-	3,557,794,380
Other financial liabilities	345,362,131	-	-	-	-	345,362,131
Bank overdrafts	74,244,436	-	-	-	-	74,244,436
Total	3,194,448,088	750,830,662	5,658,042	67,896,508	-	4,018,833,300

- **Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. Market risk is an aggregation of,

a) Interest rate risk
b) Currency risk
c) Equity price risk

a) Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Floating rate instruments typically expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest rate risk.

Management of interest rate risk

In order to mitigate the interest rate risk faced by the Company, the management follows the guidelines set out in the investment policy which is regularly reviewed by the Investment Committee. Among such guidelines, following guidelines included to mitigate the interest rate risk faced by the Company.

i. Preferred investment horizon for the investment portfolio is limited to a maximum of ten years from the time of investment.
ii. Forecasting and monitoring future cash inflows and outflows when formulating investment strategies.
iii. Relative amounts of the each portfolio will be determined by the Company's liquidity position, availability of market values, individual securities' risk/return profiles.

However, Company does not have any variable rate interest bearing financial assets and financial liabilities as at the reporting date.

Sensitivity analysis - 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 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.

Change in variables	2017 Impact on PBT* Rs.	2017 Impact on equity Rs.	2016 Impact on PBT* Rs.	2016 Impact on equity Rs.
+100 basis points	(5,955,833)	(5,955,833)	(5,092,728)	(5,092,728)
-100 basis points	5,955,833	5,955,833	5,092,728	5,092,728
+200 basis points	(11,911,667)	(11,911,667)	(10,185,456)	(10,185,456)
-200 basis points	11,911,667	11,911,667	10,185,456	10,185,456

PBT* - Profit before tax

Exposure to interest rate risk

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

As at	31.12.2017 Fixed interest	Variable interest	Non-interest bearing	Total
Financial assets				
Loans and receivables	5,094,819,182	-	45,199,893	5,140,019,075
Available-for-sale	861,014,122	-	-	861,014,122
Fair value through profit or loss	-	-	135,561,249	135,561,249
Total financial assets	5,955,833,304	-	180,761,142	6,136,594,446
Financial liabilities				
Insurance contract liabilities	-	-	4,073,554,521	4,073,554,521
Other financial liabilities	-	-	408,960,354	408,960,354
Other liabilities	-	-	44,495,102	44,495,102
Reinsurance payable	-	-	35,715,836	35,715,836
Bank overdrafts	-	-	68,837,192	68,837,192
Total financial liabilities	-	-	4,631,563,005	4,631,563,005

NOTES TO THE FINANCIAL STATEMENTS

43 RISK MANAGEMENT FRAMEWORK (CONTINUED)

As at	31.12.2016			
	Fixed interest	Variable interest	Non-interest bearing	Total
Financial assets				
Loans and receivables	3,693,998,596	-	1,530,610	3,695,529,206
Available-for-sale	1,398,729,570	-	48,352,898	1,447,082,468
Fair value through profit or loss	-	-	327,269,438	327,269,438
Cash and bank balances	-	-	138,335,984	138,335,984
Total financial assets	5,092,728,166	-	515,488,930	5,608,217,096
Financial liabilities				
Insurance contract liabilities	-	-	3,557,794,382	3,557,794,382
Other financial liabilities	-	-	345,362,131	345,362,131
Other liabilities	-	-	36,973,162	36,973,162
Reinsurance payable	-	-	41,432,353	41,432,353
Bank overdrafts	-	-	74,244,436	74,244,436
Total financial liabilities	-	-	4,055,806,464	4,055,806,464

b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to the changes in foreign exchange rates. The Company's principal transactions are carried out in Sri Lankan Rupees (Rs.) and hence, its exposure to foreign exchange risk arises primarily with respect to reinsurance recoveries and US Dollars denominated assets developed out of aforementioned recoveries.

Management of currency risk

The currency risk faced by the Company is minimal since no material liabilities or assets were recorded on foreign currency denominated as at the reporting date.

Sensitivity analysis - Currency risk

The tables below indicate the currencies to which the Company had significant exposures as at 31 December 2017 and the effect to the gains/(losses) in case of a market exchange rates up/drop by 1%. The analysis below calculates the effect of a reasonably possible movement of the currency rate against the Sri Lanka Rupee, with all other variables held constant, on the statement of profit or loss and the equity.

Change in variable	2017		2016	
	Impact on PBT Rs.	Impact on equity Rs.	Impact on PBT Rs.	Impact on equity Rs.
5% strengthening of Rupee	4,522,070	4,522,070	3,375,856	3,375,856
5 % weakening of Rupee	(4,522,070)	(4,522,070)	(3,375,856)	(3,375,856)

Exposure to currency risk

As at	31.12.2017		31.12.2017	
	Amount in foreign currency	Amount in Rs.	Amount in foreign currency	Amount in Rs.
Assets				
Fixed deposits	452,541	70,166,765	338,119	51,502,358
Saving accounts	130,762	20,274,626	105,139	16,014,766

Equity price risk

The risk of fluctuation in fair values or future cash flows of a financial instrument due to a change in market prices, other than those occurring due to interest rate risk or currency risk, is referred to as equity price risk. Accordingly, the equity price risk affects the Company's investments in equity instruments.

Management of equity price risk

In order to mitigate the equity price risk faced by the Company, the management follows the guidelines set out in the investment policy. The Company's investment policy guides the management to set/monitor objectives and constraints on investments, diversification plans as well as limits on equity exposure. Compliance with the policy is monitored and the exposure and instances of non-compliance are reported to the Board of Directors. The policy is reviewed regularly for pertinence and for changes in the risk environment. The Company manages its equity price risk by investing in relatively less volatile sectors and in different sectors.

Sensitivity analysis - Equity price risk

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%.

Change in variable	2017		2016	
	Impact on PBT Rs.	Impact on equity Rs.	Impact on PBT Rs.	Impact on equity Rs.
10% increase in equity market prices	13,556,125	13,556,125	32,726,944	32,726,944
10% decrease in equity market prices	(13,556,125)	(13,556,125)	(32,726,944)	(32,726,944)
20% increase in equity market prices	27,112,250	27,112,250	65,453,888	65,453,888
20% decrease in equity market prices	(27,112,250)	(27,112,250)	(65,453,888)	(65,453,888)

Exposure to equity price risk

As at	31.12.2017		31.12.2016	
	Rs.	%	Rs.	%
Sector				
Banks, finance and insurance	48,990,710	36%	246,223,638	75%
Diversified holdings	62,266,262	46%	63,210,440	19%
Chemicals and pharmaceuticals	4,123,800	3%	5,916,000	2%
Motors	3,900,000	3%	4,300,000	1%
Manufacturing	14,492,422	11%	5,810,000	2%
Land and property	1,788,055	1%	1,451,360	-
Plantations	-	-	358,000	-
Total	135,561,249	100%	327,269,438	100%

NOTES TO THE FINANCIAL STATEMENTS

43 RISK MANAGEMENT FRAMEWORK (CONTINUED)

- **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 considered risk free. A careful analysis is done before investing in equity investments. A stringent process is in place to monitor single investment exposure limits prescribed by the IRCSL. 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.

	2017		2016	
Category	**Composition**	**Rs.**	**Composition**	**Rs.**
Government securities	23%	1,440,772,685	31%	1,686,014,996
Listed debentures	29%	1,757,152,176	33%	1,818,034,177
Fixed deposits	44%	2,709,568,064	28%	1,545,134,386
Listed equity securities	2%	135,561,249	6%	327,269,438
Unit trusts	-	-	1%	48,352,898
Others	2%	93,540,272	1%	45,075,217
Total	100%	6,136,594,446	100%	5,469,881,112

(ii) Insurance risks

The Company principally issues the following types of non-life (general) insurance contracts; motor, fire, marine and miscellaneous. Risks under non-life insurance policies usually cover twelve months duration.

For non-life insurance contracts, the most significant risks arise from natural disasters, climate changes and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk. For healthcare contracts, the most significant risks arise from lifestyle changes and medical science and technology improvements.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. This is largely achieved through diversification across industry sectors and geography. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are established to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing an promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation in to account when estimating insurance contract liabilities. The Company identifies and categorises risks in terms of their source, their impact on the Company and preferred strategies for dealing with them.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g. flood damage).

The Company considers insurance risk to be a combination of the following components.

- Product design risk
- Underwriting risk
- Reinsurance risk
- Claims risk

Operational risk	Mitigation strategies
Product design risk	
The Company issues non-life insurance contracts such as motor, fire, marine and miscellaneous. Product designs of the portfolio may be outdated due to changes in the climate leading to natural disasters, behavioural trends of people due to changing life styles and steady escalation of costs in respect of spare parts in the industry.	Diversification of insurance contracts across a large geographical areas. Variability of risk is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk. Strategies are periodically reviewed and suitable action taken. Constant watch on internal and external factors that may impede planned objectives.
Underwriting risk	
Underwriting risk generally refers to the risk of loss on underwriting activity in the insurance. In insurance, underwriting risk may either arise from an inaccurate assessment of the risks entailed in writing an insurance policy, or from factors wholly out of the underwriter's control.	Improve knowledge and skills of the underwriting staff. Statistical databases are maintained on loss making clients to ensure such clients are strategically declined. Review profitability, pricing, terms and conditions of various products. Financial authority limits are in place for underwriting clearly prescribing the limits to underwrite based on the sum assured and risk.
Reinsurance risk	
Reinsurance risk refers to the inability of the ceding company or the primary insurer to obtain insurance from a reinsurer at the right time and at an appropriate cost.	Global trusted and stable portfolio of reinsurance companies which are rated well used for reinsurance placements. Close and professional relationship is maintained with all reinsurers. Provisions are made for long outstanding reinsurance receivables. Outstanding reinsurance receivables are reviewed on a monthly basis to ensure that all dues are collected or set-off against payables on time.

NOTES TO THE FINANCIAL STATEMENTS

43 RISK MANAGEMENT FRAMEWORK (CONTINUED)

Operational risk	Mitigation strategies
Claims risk	
The risk of actual claims or the timing thereof, may differ from expectations.	Claim intimations are done through the call centre which works on 24x7 basis. Customers are advised of consequence of inadequate sum insured and excesses. Cross check information from various issues and segregation of approval and payment duties. Qualified independent actuary carries out independent valuation on a quarterly basis in order to assess adequacy of reserves. Significant outstanding claims are subjected to periodic reviews by the management and the Board of Directors.

The table below sets out the concentration of insurance claim liabilities by type of the contract.

As at	31.12.2017 Gross liabilities	31.12.2017 Reinsurance receivable	31.12.2017 Net liabilities	31.12.2016 Gross liabilities	31.12.2016 Reinsurance receivable	31.12.2016 Net liabilities
Motor	1,237,614,417	124,898,143	1,112,716,274	1,037,795,830	31,619,602	1,006,176,228
Marine	2,944,147	2,460,037	484,110	3,369,146	2,297,185	1,071,961
Fire	165,276,742	98,344,921	66,931,821	112,639,329	64,401,241	48,238,088
Miscellaneous	194,007,028	24,011,419	169,995,609	193,269,972	6,186,708	187,083,264
	1,599,842,334	249,714,520	1,350,127,814	1,341,074,277	104,504,736	1,236,569,541

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 2017

(All figures are in Rupees thousands unless otherwise stated)

	Current estimate of cumulative claims incurred								
Accident period	2010	2011	2012	2013	2014	2015	2016	2017	Total
2017	(844)	4,738	(608)	8,298	5,704	21,071	33,255	2,792,805	
2016	(945)	(113)	(17,006)	(8,555)	5,397	50,267	2,635,203		
2015	1,703	6,377	(5,165)	35,874	31,044	2,182,704			
2014	1,465	1,577	28,391	(15,126)	2,040,473				
2013	3,148	50,297	(167,837)	2,042,094					
2012	4,224	(58,704)	2,042,934						
2011	2,762	1,396,938							
2010	213,653								
Current estimate of cumulative claims incurred	225,166	1,401,110	1,880,709	2,062,585	2,082,618	2,254,042	2,668,458	2,792,805	15,367,494

Accident period	Cumulative payments to date								
	2010	2011	2012	2013	2014	2015	2016	2017	Total
2017	(2,129)	(8,627)	(10,057)	(10,447)	(13,186)	(30,768)	(468,923)	(2,267,584)	
2016	(390)	(8,262)	(16,478)	(12,958)	(23,979)	(389,878)	(2,129,944)		
2015	(1,718)	(16,664)	(53,691)	(28,525)	(395,617)	(1,743,315)			
2014	(2,329)	(19,215)	(29,760)	(329,993)	(1,586,379)				
2013	(3,495)	(57,574)	(252,384)	(1,621,312)					
2012	(5,154)	(311,763)	(1,465,582)						
2011	(72,227)	(893,615)							
2010	(134,902)								
Cumulative payments to date	(222,344)	(1,315,720)	(1,827,952)	(2,003,235)	(2,019,161)	(2,163,961)	(2,598,867)	(2,267,584)	(14,418,824)
Total gross claims outstanding	2,822	85,390	52,757	59,350	63,457	90,081	69,591	525,221	948,670

Net non-life insurance outstanding claims provision for 2017
(All figures are in Rupees thousands unless otherwise stated)

Accident period	Current estimate of cumulative claims incurred								
	2010	2011	2012	2013	2014	2015	2016	2017	Total
2017	(844)	9,001	(608)	14,290	5,742	15,721	37,716	2,692,279	
2016	(945)	(128)	(16,949)	(10,511)	6,864	59,287	2,549,666		
2015	1,599	6,454	(3,982)	34,203	16,076	2,100,737			
2014	1,465	2,382	28,151	(15,127)	2,023,094				
2013	3,157	51,344	(158,485)	2,034,121					
2012	4,239	(15,515)	1,976,422						
2011	4,621	1,224,086							
2010	209,132								
Current estimate of cumulative claims incurred	222,424	1,277,624	1,824,549	2,056,976	2,051,776	2,175,745	2,587,382	2,692,279	14,888,754

Accident period	Cumulative payments to date								
	2010	2011	2012	2013	2014	2015	2016	2017	Total
2017	(2,129)	(8,627)	(10,057)	(10,432)	(13,132)	(30,608)	(446,918)	(2,209,836)	
2016	(390)	(8,244)	(16,282)	(12,833)	(23,866)	(387,579)	(2,075,965)		
2015	(1,614)	(16,664)	(31,860)	(27,883)	(369,486)	(1,756,890)			
2014	(2,329)	(17,417)	(29,152)	(329,883)	(1,564,956)				
2013	(3,495)	(32,280)	(226,969)	(1,593,260)					
2012	(5,123)	(248,760)	(1,424,239)						
2011	(71,904)	(881,711)							
2010	(131,282)								
Cumulative payments to date	(218,266)	(1,213,703)	(1,738,559)	(1,974,291)	(1,971,440)	(2,175,077)	(2,522,883)	(2,209,836)	(14,024,054)
Total net claims outstanding	4,158	63,921	85,990	82,685	80,336	668	64,499	482,443	864,700

NOTES TO THE FINANCIAL STATEMENTS

43 RISK MANAGEMENT FRAMEWORK (CONTINUED)

Sensitivity analysis on claim handling expenses, loss development factors and provision for adverse deviation.

Table 1 : Impact on claim liability to changes in key variables

Variable	Change in variable	75% claim liabilities Rs.	Change in 75% claim liabilities Rs.
Original		1,338,347,067	-
Claim handling expenses (CHE)	+10%	1,343,370,699	5,023,632
Claim handling expenses (CHE)	-10%	1,333,323,435	(5,023,632)
Loss development factors (LDF)	+10%	1,387,026,647	48,679,580
Loss development factors (LDF)	-10%	1,287,034,727	(51,312,340)
Provision for adverse deviation (PRAD)	Double	1,472,767,035	134,419,969
Provision for adverse deviation (PRAD)	Halve	1,271,137,082	(67,209,984)

Table 2: Impact on premium liability to changes in key variables

Variable	Change in variable	URP at 75% confidence level Rs.	Premium liabilities (PL) Rs.	Change in premium liabilities
Original		1,897,914,999	2,473,712,187	-
Claim handling expenses (CHE)	+10%	1,908,672,371	2,473,712,187	-
Claim handling expenses (CHE)	-10%	1,887,157,628	2,473,712,187	-
Provision for adverse deviation (PRAD)	Double	1,930,794,049	2,473,712,187	-
Provision for adverse deviation (PRAD)	Halve	1,880,448,005	2,473,712,187	-

44 RELATED PARTY TRANSACTIONS

The Company carries out transactions in the ordinary course of its business on and arm's length with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS) 24 - Related Party Disclosures.

Details of the related party transactions are reported below.

44.1 Transactions and outstanding balances with the ultimate parent - People's Bank

Transactions For the year ended	31.12.2017 Rs.	31.12.2016 Rs.
Insurance premium in respect of their own policies	207,376,622	219,185,871
Insurance premium in respect of customers introduced	106,731,966	105,048,607
Service charge expense	13,648,167	14,190,416
Claims expense	48,674,994	52,766,863
Investment in repurchase agreements (including re-investments made during the year)	20,116,141,498	13,366,207,594
Settlement of repurchase agreements (including settlement for re-investments)	19,681,090,614	13,180,055,663
Investment income from overnight repurchase agreements	7,640,158	3,047,353
Treasury bills matured	3,779,141,967	2,081,853,952
Treasury bills purchased	2,998,349,433	1,993,419,389
Interest income from fixed deposits	4,165,395	2,790,572
Interest income from savings accounts	269,846	136,576
Building rent expense	900,000	900,000

Outstanding balances As at	31.12.2017 Rs.	31.12.2016 Rs.
Insurance premium receivable in respect of their own policies	12,720	755,661
Insurance premium receivable in respect of customers introduced	26,006,828	24,696,556
Service charge expense payable	4,290,130	3,569,482
Claims outstanding	173,314,776	166,796,547
Fixed deposits	82,439,636	64,814,122
Special foreign currency savings accounts	20,274,626	16,014,766
Building rent expenses payable	225,000	150,000
Cash at bank	115,478,950	127,682,380
Bank overdrafts	68,837,192	74,244,436
	490,879,859	478,723,950

NOTES TO THE FINANCIAL STATEMENTS

44 RELATED PARTY TRANSACTIONS (CONTINUED)

44.2 Transactions and outstanding balances with the immediate parent - Peoples' Leasing & Finance PLC

Transactions

For the year ended	31.12.2017 Rs.	31.12.2016 Rs.
Insurance premium in respect of their own policies	132,164,492	120,450,339
Insurance premium in respect of customers introduced	3,367,947,044	3,131,843,849
Service charges	466,064,247	428,170,299
Claims expense	-	220,023
Interest income from savings accounts	1,467,985	1,645,079
Interest income from fixed deposits	29,429,235	16,815,357
Debenture interest	16,853,277	16,921,148
Support service expense[Note]	10,278,185	11,074,238
Computer maintenance expense	37,579,477	35,652,027
Building rent expenses	10,620,623	11,466,336
Vehicle yard expenses	2,147,891	2,312,619
Accommodation income from Negombo branch	153,061	153,061

Outstanding balances

As at	31.12.2017 Rs.	31.12.2016 Rs.
Insurance premium receivable in respect of their own policies	744,262	932,925
Insurance premium receivable in respect of customers introduced	643,225,032	587,221,250
Service charges payable	192,360,349	185,464,464
Claims outstanding	8,743,044	3,098,569
Support service charges payable	2,181,288	2,181,288
Debentures	112,795,714	112,805,902
Savings accounts	4,030,818	5,067,223
Fixed deposits	288,262,262	206,738,166
Building rent expenses payable	1,378,670	1,567,199
Inter-company current account payable	14,832,500	23,114,460
Vehicle yard expense payable	175,236	152,286
Accommodation income receivable on Negombo branch	12,755	12,755
	1,268,741,930	1,128,356,487

Note: Support service expenses mainly include amounts payable in respect of information and communication technology, human resources and logistics services provided to the Company.

44.3 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, Chief Executive Officer and their immediate family members as key management personnel of the Company.

a) Key management personnel compensation

Transactions For the year ended	31.12.2017 Rs.	31.12.2016 Rs.
Short-term employment benefits	11,057,500	1,325,000

b) Other transactions with key management personnel

Transactions For the year ended	31.12.2017 Rs.	31.12.2016 Rs.
Insurance premium	6,895	6,902
Claim expenses	22,394	88,667

44.4 Transactions and outstanding balances with other related companies

People's Leasing Fleet Management Limited

Transactions For the year ended	31.12.2017 Rs.	31.12.2016 Rs.
Insurance premium in respect of their own policies	10,426,234	9,330,349
Vehicle hiring expenses	3,375,512	2,608,078
Assessor payments	13,180,846	12,581,081

Outstanding balances As at	31.12.2017 Rs.	31.12.2016 Rs.
Insurance premium receivable	1,054,226	38,093
Inter-company current account balance	380,684	335,227
	1,434,410	373,320

NOTES TO THE FINANCIAL STATEMENTS

44 RELATED PARTY TRANSACTIONS (CONTINUED)

People's Leasing Property Development Limited

Transactions

For the year ended	31.12.2017 Rs.	31.12.2016 Rs.
Insurance premium in respect of their own policies	1,753,798	1,228,425

People's Leasing Microfinance Limited

Transactions

For the year ended	31.12.2017 Rs.	31.12.2016 Rs.
Insurance premium in respect of their own policies	6,605,798	4,066,034
Insurance premium in respect of customers introduced	106,130,453	82,267,516
Service charges	13,917,635	10,941,788
Rent income on Galle branch	957,785	958,326

Outstanding balances

As at	31.12.2017 Rs.	31.12.2016 Rs.
Insurance premium receivable in respect of their own policies	184,819	39,862
Insurance premium receivable in respect of customers introduced	23,258,297	12,881,845
Service charges payable	4,054,933	2,901,444
Rent income receivable on Galle branch	89,313	86,786
	27,587,363	15,909,937

People's Merchant Finance PLC

Transactions

For the year ended	31.12.2017 Rs.	31.12.2016 Rs.
Insurance premium in respect of their own policies	5,733,503	660,784
Insurance premium in respect of customers introduced	4,025,961	2,991,177
Service charges	602,365	416,852

Outstanding balances

As at	31.12.2017 Rs.	31.12.2016 Rs.
Insurance premium receivable in respect of their own policies	1,147,289	325,625
Insurance premium receivable in respect of customers introduced	1,475,535	734,212
Service charges payable	124,691	440,086
	2,747,515	1,499,923

People's Leasing Havelock Properties Limited

Transactions

For the year ended	31.12.2017 Rs.	31.12.2016 Rs.
Insurance premium in respect of their own policies	2,534,801	-
Building rent expenses	44,712,887	-

Outstanding balances

As at	31.12.2017 Rs.	31.12.2016 Rs.
Rent paid in advance	87,000,000	-

44.5 Transactions with other related parties

Other related entities are those which are controlled or significantly influenced, directly or indirectly by key management personnel of the Company.

Name of the company	Control, joint control or significant influence by key management personnel	Nature of transaction	2017 Rs.	2016 Rs.
MTD Walkers PLC	Mr. Jehan P. Amarathunga	Interest income from debentures	4,892,724	4,870,858
		Carrying amount of investments in debentures	51,229,051	51,211,327

44.6 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

NOTES TO THE FINANCIAL STATEMENTS

45 ASSETS PLEDGED

The following assets have been pledged as a security for facilities.

Nature of asset	Nature of liability	2017 Rs.	2016 Rs.	Classification
Fixed deposit at People's Bank	Bank overdraft facility	10,000,000	10,000,000	Loans and receivables
Fixed deposit at People's Bank	Bank guarantee	2,000,000	2,000,000	Loans and receivables

46 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Accounting policy - Events occurring after the reporting period

Events occurring after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

All material post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements.

46.1 Dividends

i. The Board of Directors of the Company has approved a second interim dividend of Rs. 1.00 per share for the financial year ended 31 December 2017. In accordance with Sri Lanka Accounting Standards (LKAS) 10 - Events after the Reporting Period, this second interim dividend has not been recognised as a liability as at 31 December 2017.

ii. The Board of Directors of the Company has also proposed a final dividend of Rs. 0.25 per share for the financial year ended 31 December 2017 to be approved at the forthcoming Annual General Meeting. In accordance with Sri Lanka Accounting Standards (LKAS) 10 - Events after the Reporting Period, this proposed dividend has not been recognised as a liability as at 31 December 2017.

There have been no events subsequent to the reporting date, which would have any material effect on the Company, other than disclosed above.

47 CAPITAL COMMITMENTS AND CONTINGENCIES

Accounting policy - Capital commitments and contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the statement of financial position but are disclosed unless they are remote.

47.1 Capital commitments

The Company has commitments for acquisition of computer software incidental to the ordinary course of business amounting to Rs. 1,268,577 as at the reporting date (2016 - Nil).

47.2 Contingencies

In the opinion of the Directors and the Company's lawyers, pending litigations 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 has been evaluated and adequate provisions have been made in the financial statements where necessary.

48 COMPARATIVE INFORMATION

The presentation and classification in the financial statements have been amended where appropriate to ensure comparability with the current year.

49 COMPARATIVE INFORMATION

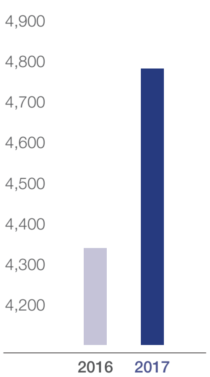
The accounting policies have been consistently applied by the Company with those of the previous financial year in accordance with Sri Lanka Accounting Standard (LKAS 1) – Presentation of Financial Statements. Comparative information, including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the financial statements in order to enhance the understanding of the current period's financial statements and to enhance the inter-period comparability. The presentation and classification of the financial statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

The presentation and classification of the following items in financial statements were amended to ensure the comparability with the current year:

	As disclosed previously Rs.	Current presentation Rs.	Adjustment Rs.
Statement of cash flows			
Purchase of other investments	(7,958,602,878)	(7,940,063,605)	(18,539,273)
Net cash flows used in investing activities	(562,887,988)	(544,348,715)	(18,539,273)
Cash and cash equivalents as at 31 December	64,091,548	85,173,540	(21,081,992)
Cash and cash equivalents as at 1 January	703,939,292	706,482,011	2,542,719
Net decrease in cash and cash equivalents during the period	639,847,744	621,308,471	18,539,273

FINANCIAL STATEMENT HIGHLIGHTS

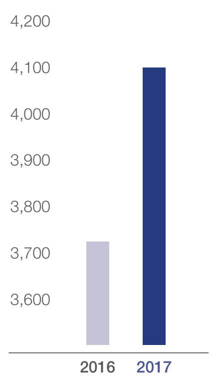
GROSS WRITTEN PREMIUM
Rs. Mn



10%

2017 - Rs. 4,782 Mn
2016 - Rs. 4,340 Mn

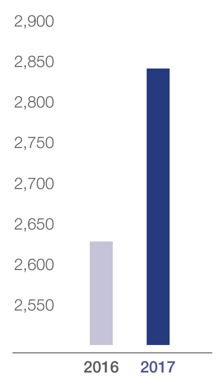
NET EARNED PREMIUM
Rs. Mn



10%

2017 - Rs. 4,097 Mn
2016 - Rs. 3,723 Mn

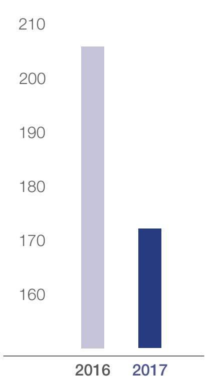
NET CLAIMS
Rs. Mn



8%

2017 - Rs. 2,841 Mn
2016 - Rs. 2,628 Mn

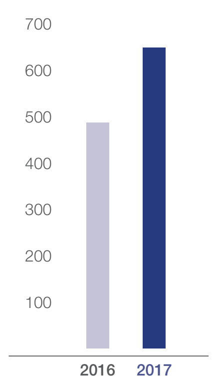
UNDERWRITING PROFIT
Rs. Mn



-17%

2017 - Rs. 172 Mn
2016 - Rs. 206 Mn

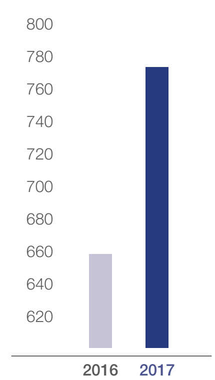
INVESTMENT INCOME
Rs. Mn



34%

2017 - Rs. 650 Mn
2016 - Rs. 486 Mn

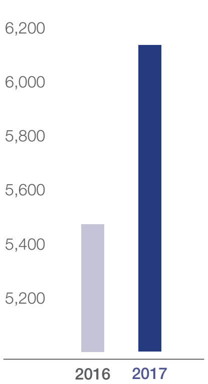
PROFT FOR THE YEAR
Rs. Mn



17%

2017 - Rs. 773 Mn
2016 - Rs. 658 Mn

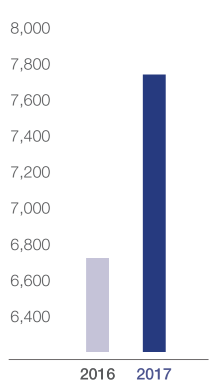
FINANCIAL INVESTMENTS
Rs. Mn



12%

2017 - Rs. 6,137 Mn
2016 - Rs. 5,470 Mn

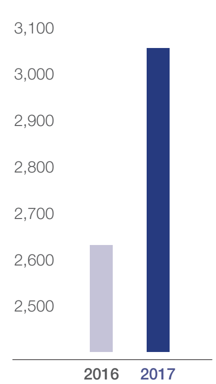
TOTAL ASSETS
Rs. Mn



15%

2017 - Rs. 7,745 Mn
2016 - Rs. 6,720 Mn

TOTAL EQUITY
Rs. Mn



16%

2017 - Rs. 3,057 Mn
2016 - Rs. 2,629 Mn

SUPPLEMENTARY INFORMATION

A Shield of Security

It is with great pride that we bear this shield; a symbol of the protection, a symbol of what we do best

ANNEX I - CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

The Company strives to follow best practices recommended in the Code of Best Practice on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) and Securities and Exchange commission of Sri Lanka (SEC).

The Company's level of compliance with the Code of Best Practice on Corporate Governance issued jointly by the ICASL and SEC is provided below.

SECTION 1: THE COMPANY

A. DIRECTORS

A.1 THE BOARD

PRINCIPLE Every public company should be headed by an effective Board, which should direct, lead and control the Company

The Board of Directors is at the heart of the governance structure of People's Insurance acting as ultimate internal monitor, playing an active role in setting the direction for the Company, leading and controlling towards achieving the objectives. The Board puts the key agents of management in place to implement 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.

The Board has given authority and responsibility to the management to implement strategies. The Company performance is reviewed by the Board periodically with the performance indicators, budgets and necessary actions are taken when deemed necessary.

The members of the Board consist of professionals with a diverse background and expertise in respective areas with commendable skills and experience. As at the reporting date, the Board comprises seven Directors who function as Non-executive Directors, including the Chairman.

Profiles of the Board members are provided on pages 10 to 12.

A.1.1 FREQUENCY OF BOARD MEETINGS

PRINCIPLE The Board should meet regularly, at least once in every quarter of a financial year

The Board usually meets on a monthly basis and additional Board meetings are held whenever it is necessary. The Company held 15 meetings during the year under review. Information on financial and operational results against previous periods, budgets and key performance indicators, compliance with laws and regulations, internal controls, risk management and related party transactions have been reported on a regular basis. All other matters the Board should be aware of have been reported timely, as appropriate.

Please refer page 56 for Directors' attendance at Board meetings in 2017.

Please refer pages 55 to 56 for Directors' main areas of focus in 2017.

A.1.2 RESPONSIBILITIES OF THE BOARD

PRINCIPLE The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board should be responsible for following matters including:

i. Ensuring the formulation and implementation of a sound business strategy
The Board sets short to long term strategies in pursuit of vision and mission statement of the Company. The corporate plan and budget are developed by the management and approved by the Board on a regular 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.

ii. Ensure the CEO and management possess the skills, experience and knowledge to implement the strategy
The CEO and the management possess essential knowledge and skills with widespread experience in the insurance industry. The Board actively monitored that the CEO and the management team continued to have the right balance and capability of skills, experience and knowledge to accomplish their responsibilities. The Board gets involved in the recruitment of senior management in accordance with the highest standard of competence.

The profiles of the CEO and Corporate Management are presented on pages 13 to 17.

iii. Ensure adoption of an effective CEO and senior management succession strategy
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. In terms of the policy decision made by the Board, succession for the key managerial positions primarily focuses on developing and grooming people internally where possible and infuses new blood where appropriate.

iv. Ensure effective systems to secure integrity of information, internal controls, business continuity and risk management
The Company has implemented effective systems to secure integrity of information, internal controls and risk management. The Board has delegated its authority to monitor the effectiveness mechanisms and procedures to the management, internal and external auditors and independent expert consultants, with appropriate improvement as necessary. Accordingly, the Company has adopted a set of internal control policies, approved by the Board, to evaluate the methods and procedures. The Board Audit Committee is empowered by the Board to oversee the financial reporting, internal controls, internal audit, whistle blowing and assessment of independence and performance of external auditors.

The main role of the Board Audit Committee is disclosed on page 60.

v. Ensure compliance with laws, regulations and ethical standards
The Company is in compliance with all applicable laws and regulations and adheres to the highest level of ethical standards which serves as a code of business conduct and ethics applicable to the Company on mandatory and voluntary basis.

vi. Ensure that all stakeholders interests are considered in corporate decisions
Due consideration is given for stakeholder interests in corporate decision making, while strategic decisions are evaluated by paying due attention towards stakeholder groups (shareholders, customers, employees, regulators, community and the environment) interests. The Board always makes an effort to minimise negative impacts on the stakeholders in the corporate decision making process.

ANNEX I - CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

vii. Recognise sustainable business development in corporate strategy, decisions and activities
The Board recognises the importance of sustainable business development in the corporate strategy, decisions and activities. Accordingly, a significant consideration is given by the Company to its stakeholders, including community and the environment when business strategies are formulated, decisions are made and business activities are carried out in order to create a value creation process.

Details are presented in the Stakeholder Engagement and Materiality Assessment on pages 37 to 41.

viii. Ensure that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations
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 practices.

Accordingly, the Company adopted the revised Sri Lanka Accounting Standards (SLFRS/LKAS) which were effective from 1st January 2012 in the preparation and presentation of its financial statements with effect from the financial year commencing from 1st January 2012 onwards. The Company also adopted accounting standards and changes which were subsequently introduced which were effective after 1st January 2012.

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.

ix. Fulfilling other Board functions as are vital, given the scale, nature and complexity of the organisation
The Board makes every endeavour to fulfill 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

PRINCIPLE The Board collectively, and Directors individually, must act in accordance with the laws of the country and there should be a procedure agreed by the Board of Directors to obtain independent professional advice where necessary, at the Company's expense

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 are borne by the Company.

A.1.4 ACCESS, FUNCTIONS AND REMOVAL OF THE COMPANY SECRETARY

PRINCIPLE All Directors should have access to the advice and services of the Company Secretary and the need for the removal of the Company Secretary to be a matter for the Board as a whole

All Directors have access to the advice and services of the Company Secretary who possesses the required qualifications as stipulated in the Companies Act No. 07 of 2007. The Company Secretary advises the Board and ensures that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are complied with. The appointment and removal of the Company Secretary rests with the Board as a whole.

A.1.5 INDEPENDENT JUDMENT OF DIRECTORS

PRINCIPLE All Directors should bring independent judgment to bear on issues of strategy, performance, resources (including key appointments) and standards of business conduct

All Directors exercise independent judgment in decisions made by the Board on issues of strategy, performance, resource allocation and the conduct of business. The Board draws on the strengths of each Director without placing undue reliance on any individual.

A.1.6 DEDICATION OF ADEQUATE TIME AND EFFORT TO MATTERS OF THE BOARD AND THE COMPANY

PRINCIPLE Every Director should dedicate adequate time and effort to matters of the Board and the Company to ensure that the duties and responsibilities owed to the Company are satisfactorily discharged

To ensure that the duties and responsibilities owed to the Company are satisfactorily discharged, the Directors attend monthly Board meetings and discuss the prevailing matters. As far as possible, the Company endeavours to circulate the Board papers amongst its members at least 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. Besides, the Board members hold meetings and discussions with the management when required. Further, the Board follows up on issues arising from Board meetings.

The number of meetings attended by each Director is presented on page 56 and the details of time spent by the Board during the year with main areas discussed are provided on pages 55 to 56.

A.1.7 TRAINING AND CONTINUOUS DEVELOPMENT OF DIRECTORS

PRINCIPLE Every Director should receive appropriate training when first appointed to the Board and subsequently as necessary

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.

The Directors are also kept abreast of applicable legislation and regulations, changes to rules, latest trends, standards and codes as well as relevant regulatory changes and development in the insurance industry.

A.2 THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)

PRINCIPLE There should be a clear division of responsibilities at the head of the Company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decisions

The positions of the Chairman and the CEO 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 CEO is responsible for the management and operations of the Company with the support of the Company's management.

ANNEX I - CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

A.2.1 JUSTIFICATION AND DISCLOSURE OF THE DECISION TO COMBINE THE POSTS OF CHAIRMAN AND CEO IN ONE PERSON

PRINCIPLE The posts of Chairman and CEO vested in one person should be justified

The roles of Chairman and CEO are segregated in order to maintain a clear division of responsibilities.

A.3 CHAIRMAN'S ROLE

PRINCIPLE The Chairman should preserve order and facilitate the effective discharge of Board functions

The Chairman provides leadership and facilitates effective discharge of Board functions as the person responsible for running the Board. The Chairman's role in preserving good corporate governance is also crucial.

A.3.1 RESPONSIBILITIES OF CHAIRMAN TO CONDUCT BOARD PROCEEDINGS IN A PROPER MANNER

PRINCIPLE The Chairman should conduct Board proceedings in a proper manner and ensure that;

- The formulation of agenda for the Board meetings
- Timely provision of information
- Awareness of Directors duties and responsibilities
- Effective participation of Executive and Non-executive Directors
- Encourage to seek information considered necessary
- A balance of power between Executive and Non-executive Directors
- The views of Directors on issues under consideration are ascertained and reflected in the minutes
- The Board is in complete control of the Company's affairs and alert to its obligations to all shareholders and other stakeholders

The Chairman encourages effective participation of the Directors towards the strategic decision making process in order to make collective decisions and maintain the balance power. Different views of the Directors are valuated 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

PRINCIPLE The Board should ensure the availability within of those with sufficient financial acumen and knowledge

The Board comprised members with academic and professional qualifications in accounting, finance management and financial services with extensive experience in various aspects of financial management. Two members of the Board are Chartered Accountants, including the Chairman.

The profiles of Board of Directors are set out on pages 10 to 12.

Expertise of each Director is summarised on page 54.

A.5 BOARD BALANCE

PRINCIPLE The Board to have a balance of Executive and Non-executive Directors

The entire Board consists of Non-executive Directors.

A chart reflecting the above is depicted on page 54.

A.5.1 NUMBER OF EXECUTIVE AND NON-EXECUTIVE DIRECTORS

PRINCIPLE The Board should include at least two Non-executive Directors or one third of the total number of Directors, whichever is higher

As mentioned above, Board exclusively comprises 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 NUMBER OF INDEPENDENT DIRECTORS

PRINCIPLE The Board should include two or one third of Non-executive Directors appointed, whichever is higher, to be 'Independent'

Four out of seven Non-executive Directors are 'Independent'.

Please refer Board room table on page 54.

A.5.3 CRITERIA TO EVALUATE INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

PRINCIPLE For a Director to be deemed independent, such Director should be independent of management and free of any business or other relationship

All 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 therefore 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

PRINCIPLE Each Non-executive Director should submit an annual declaration regarding independence/non-independence against specified criteria

All Non-executive Directors have submitted the declaration of independence or non-independence against specified criteria as per the Code.

ANNEX I - CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

A.5.5 ANNUAL DETERMINATION OF INDEPENDENCE/NON-INDEPENDENCE OF EACH NON-EXECUTIVE DIRECTORS

PRINCIPLE The Board should make an annual determination as to the Independence or Non-independence of Non-executive Directors and should be set out in the Annual Report the names of the Directors determined to be 'Independent'

The Board considers on an annual basis the independence or non-independence of the Non-executive Directors, based on the declarations made by the said Directors and other information available to the Board.

A.5.6 APPIONTMENT OF AN ALTERNATE DIRECTOR

PRINCIPLE Appointment of an Alternate Director by a Non-executive/Independent Director

There were no Alternate Directors appointed by any Non-executive or Independent Director.

A.5.7 APPIONTMENT OF SENIOR INDEPENDENT DIRECTOR (SID)
A.5.8 AVAILABILITY OF A SID FOR CONFIDENTIAL DISCUSSION WITH OTHER DIRECTORS

PRINCIPLE In the event of the Chairman and CEO is the same person, the Board should appoint a SID and SID should make himself available for confidential discussions with other Directors

The requirement to appoint a Senior Independent Director does not arise as the roles of the Chairman and CEO are separate according to the Code of Best Practice on Corporate Governance 2013. However, Code of Best Practice on Corporate Governance 2017 further requires to appoint SID, if the Chairman is not an Independent Director or the Chairman is the immediately preceding CEO.

A.5.9 RESPONSIBILITY OF CHAIRMAN TO HOLD MEETINGS ONLY WITH NON-EXECUTIVE DIRECTORS

PRINCIPLE The Chairman should hold meetings with the Non-executive Directors as necessary and at least once each year

The newly appointed CEO functions as the apex executive in charge of the day-to-day management of the Company. Since all the Directors are Non-executive, 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' CONCERN IN THE BOARD MINUTES

PRINCIPLE Matters which cannot be unanimously resolved should be recorded in the Board minutes

All proceedings at Board meetings are recorded by the Company Secretary and minutes of the Board meetings are circulated to all Directors. 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

PRINCIPLE The Board should be provided with timely information in a form and of a quality appropriate to enable it 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 THE BOARD WITH APPROPRIATE AND TIMELY INFORMATION

PRINCIPLE Obligation of the management to provide the Board with appropriate and timely information and Directors should make further inquiries where necessary. The Chairman should ensure all Directors are properly briefed on issues arising at Board meetings

The management provides accurate, timely, relevant and comprehensive financial and non-financial information on a monthly basis 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.

A.6.2 PREPARATION OF MINUTES, AGENDA AND BOARD PAPERS PRIOR TO THE BOARD MEETING

PRINCIPLE The minutes, agenda and Board papers required for a Board meeting should ordinary be provided to Directors at least seven days before the meeting, to facilitate its effective conduct

The Company Secretary ensures that the agenda and Board papers to be tabled at Board meetings are prepared and circulated at least one week prior to Board meetings together with the minutes of the previous meeting.

A.7 APPOINTMENTS TO THE BOARD

PRINCIPLE There should be a formal and transparent procedure for the 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 ESTABLISHMENT OF A NOMINATION COMMITTEE

PRINCIPLE A Nomination Committee should be established in order to make recommendations on all new appointments to the Board. The Chairman and members of the Nomination Committee should be identified in the Annual Report

A Remuneration and Nomination Committee comprising of two Independent Directors and one Non-independent, Non-executive Director is in place in order to make recommendations on all new appointments to the Board.

Details and composition of the Remuneration and Nomination Committee are provided on pages 59 to 60.

ANNEX I - CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

A.7.2 ASSESSMENT OF BOARD COMPOSITION

PRINCIPLE The Nomination Committee or the Board should annually assess 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 DISCOSURE OF PROFILES OF NEWLY APPOINTED DIRECTORS

PRINCIPLE Appointment of a new Director to the Board should be forthwith disclosed to shareholders

All appointments of new Directors are informed to the shareholders and the IRCSL with sufficient details, via immediate notification to the CSE and subsequently through the Company's Annual Report. Approval for appointment of new Directors is obtained from IRCSL in terms of the applicable regulations.

A.8 RE-ELECTION

PRINCIPLE All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years

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

Accordingly, at the previous Annual General Meeting, Mr. N. P. Karunarathne, Mr. S. P. K. Gunarathne and Mr. W. M. Aberyrathna Bandara, who are Non-executive, Independent Directors were re-elected by the shareholders in terms of the Articles of Association of the Company

A.8.1 APPOINTMENT OF NON-EXECUTIVE DIRECTORS FOR SPECIFIED TERMS SUBJECT TO RE-ELECTION

PRINCIPLE Non-executive Directors should be appointed for specified terms subject to re-election and to the provisions in the Companies Act relating to the removal

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.

A.8.2 ALL DIRECTORS TO BE SUBJECT TO RE-ELECTION BY THE SHAREHOLDERS AT THE FIRST APPOINMENT AND RE-ELECTION THEREAFTER

PRINCIPLE	All Directors, including the Chairman should be subject to election by shareholders at the first opportunity after their appointment and to re-election thereafter at intervals of not more than three years

Accordingly, at the previous Annual General Meeting, Mr. N. Vasantha Kumar, Non-executive Non-independent Director and Mr. Lakshman Abeysekera, Non-executive Independent Director were re-elected by the shareholders in terms of the Articles of Association of the Company.

A.9 APPRAISAL OF BOARD PERFORMANCE

PRINCIPLE	Boards should periodically appraise their own performance

The Board has recognised that it is necessary to periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged. The Board has a self-evaluation process in place that encourages all Directors to make a full and active contribution to the Board's affairs.

A.9.1, A.9.2, A.9.3 BOARD APPRAISAL

PRINCIPLE

- The Board should annually appraise itself on its performance
- The Board should undertake an annual self-evaluation of its own performance and of its committees
- The Board should state how performance evaluation have been conducted, in Annual Report

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.

- 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 IN RESPECT OF DIRECTORS

PRINCIPLE	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. The Annual Report contains relevant details pertaining to all Board members.

ANNEX I - CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

A.10.1 REQUIREMENT FOR THE ANNUAL REPORT SET OUT THE DETAILS OF DIRECTORS

PRINCIPLE The Annual Report of the Company should set out the following information in relation to each Director;

• Profiles of the each Director, including their qualifications, expertise and Directorships	The profiles of Board members are presented on pages 10 to 12.
• Details on Directors' status, attendance at Board and their other Board seats or equivalent positions	Attendance of Directors at Board meetings is presented on page 56.
• Details of related party transactions of the Directors to its obligations to all shareholders and other stakeholders	Note 44.3 to the financial statements on page 237.

A.11 APPRAISAL OF CEO

A.11.1 FINANCIAL AND NON-FINANCIAL TARGETS

A.11.2 PERFORMANCE OF THE CEO

PRINCIPLE

- The Board should be required, at least annually to assess the performance of the CEO
- Financial and non-financial targets to be achieved by the CEO should be set at the commencement of the fiscal year
- Performance of CEO to be evaluated against the targets set by the Board at the end of each fiscal year

Mr. Deepal Abeysekera was appointed as the CEO Designate from 1st June 2017 and subsequently appointed as CEO of People's Insurance PLC on 1st July 2017 and as Principal Officer responsible for the general control, direction and supervision of all business activities of the Company pursuant to receiving approval from the Insurance Regulatory Commission of Sri Lanka (Formerly known as Insurance Board of Sri Lanka).

The Board sets financial and non-financial objectives for the CEO 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 CEO 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 is incorporated as personal goals of the CEO, whose performance is assessed by the Chairman regularly and the assessment is ratified by the Board.

B. DIRECTORS' REMUNERATION

B.1 REMUNERATION PROCEDURE

PRINCIPLE Companies should establish a formal and transparent procedure for developing policy on executive remuneration and no Director should be involved in deciding his own remuneration

The Board has established 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 Remuneration and Nomination Committee. No Director is involved in deciding their own remuneration.

B.1.1-B.1.5 REMUNERATION COMMITTEE AND DETERMINING REMUNERATION OF DIRECTORS

PRINCIPLE

- Appointment and composition of the Remuneration Committee
- Disclosure of Chairman and members of the Remuneration Committee
- Determination of remuneration for Non-executive Directors
- Ability to consult the Chairman and/or CEO and seek professional advice by the Committee

The Remuneration and Nomination Committee acts within agreed terms of reference. The Chairman of the Board chairs the Remuneration and Nomination Committee.

The Composition and the role of Remuneration and Nomination Committee is given on pages 59 to 60.

B.2 THE LEVEL OF MAKE UP OF REMUNERATION

B.2.1- B.2.9 LEVEL OF REMUNREATION AND EXECUTIVE SHARE OPTIONS

PRINCIPLE

Levels of remuneration should be sufficient to attract Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be linked to corporate and individual performance

The Board is aware that the level and make up of remuneration affect human motivations and decisions, and consequently, risk outcomes that are ultimately borne by shareholders. Remuneration must therefore reflect value delivered, adjusted appropriately for risk assumed.

The level of remuneration is decided in terms of 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.3.1 REQUIREMENT TO DISCLOSE THE REMUNERATION POLICY AND DETAILS OF REMUNERATION OF THE BOARD IN THE ANNUAL REPORT

PRINCIPLE

- The Company's Annual Report should contain a statement of remuneration policy and details of remuneration of the Board as a whole
- The Annual Report should set out the names of Directors comprising the Remuneration Committee, contain a statement of remuneration paid to Executive and Non-executive Directors

Directors' fees and remuneration are disclosed on page 182.

Remuneration and Nomination Committee Report is set out on pages 78 to 79 of this Annual Report.

ANNEX I - CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

C. RELATIONS WITH SHAREHOLDERS

C.1 CONSTRUCTIVE USE OF ANNUAL GENERAL MEETING AND CONDUCT OF GENERAL MEETINGS

PRINCIPLE Board should use the AGM to communicate with shareholders and encourage their participation

The Board encourages all shareholders to attend and actively participate in the AGM. The shareholders may raise any queries they have with the Directors. The Chairman, the Chief Executive Officer, Chief Financial Officer and the Chairmen of the principal committees of the Company are present at the AGM to answer any queries.

C.1.1 CONSIDERATION OF PROXY VOTES

PRINCIPLE All proxy votes should be counted

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

PRINCIPLE Separate resolution should be proposed at the AGM on each substantially separate issue and adoption of annual reports and accounts

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

PRINCIPLE The Chairman of the Audit and Remuneration and Nomination Committees should be available to answer questions at the AGM

The Chairmen of the Board Audit Committee, Remuneration and Nomination Committee and Related Party Transaction Review Committee are available to answer questions at the AGM.

C.1.4 CIRCULATION OF NOTICE OF AGM

PRINCIPLE Notice of the AGM and related papers should be sent to shareholders as determined by statute, before the meeting

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

PRINCIPLE A summary of the procedures governing voting at General Meetings should be circulated with every Notice of General Meeting

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 there at.

C.2 COMMUNICATION WITH SHAREHOLDERS

PRINCIPLE The Board should implement effective communication with shareholders

The Company implements communication through effective channels to reach all shareholders of the Company to build up strong relationships and to disseminate timely information.

C.2.1, C.2.2 COMMUNICATION CHANNEL TO REACH SHAREHOLDERS
C.2.3 COMPANY'S COMMUNICATION POLICY AND METHODOLOGY

PRINCIPLE There should be a channel to reach all shareholders of the Company in order to disseminate timely information and disclose the policy and methodology of communication with shareholders

All financial information released to the shareholders through the Annual Report, Annual General Meeting, financial and other notices, when required through the CSE and corporate website. The implementation of the policy and the methodology are done through the adoption of the above mentioned channels of communication.

Communication channels to reach shareholders are presented on page 38.

C.2.4 CONTACT PERSON FOR COMMUNICATION PURPOSES

PRINCIPLE The Company should disclose the contact person for such communication

The Company Secretary and CEO will be the main contact persons with regard to any public disclosures. Further, the Chief Financial Officer can also be contacted with regard to any clarifications on financial information published.

C.2.5 PROCESS TO MAKE DIRECTORS AWARE OF MAJOR ISSUES AND CONCERS OF SHAREHOLDERS

PRINCIPLE There should be a process to make all Directors aware of major issues and concerns of shareholders and this process should be disclosed

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.

ANNEX I - CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

C.2.6 PERSON TO BE CONTACTED ON SHAREHOLDER MATTERS

PRINCIPLE There should be identification of a person to contact in relation to shareholder matters

The relevant person to contact in relation to shareholder matters is the Company Secretary, whose details are given on page 298.

C.2.7 FORMULATION OF A PROCESS FOR RESPONDING TO SHAREHOLDERS AND DICLOSURE ON THEM

PRINCIPLE The process of responding to shareholder matters should be formulated by the Board and disclosed

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. MAJOR AND MATERIAL TRANSACTIONS

C.3.1 DISCLOSURE OF MAJOR AND MATERIAL TRANSACTIONS WHICH HAVE A MATERIAL IMPACT ON NET ASSETS

PRINCIPLE Directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter the Company net assets base

During the year, there were no major or material transactions engaged in or committed to by the Company as prescribed by Section 185 of the Company Act No. of 2007 that required communication with shareholders.

D. ACCOUNTABILITY AND AUDIT

D.1 FINANCIAL REPORTING

PRINCIPLE The Board should present a balance and understandable assessment of the Company's financial position, performance and prospects

The financial statements present a balanced and understandable assessment of the Company. The Company position, performance and prospects have been discussed in detail in the following reports.

- Chairman's Message on pages 28 to 31
- Chief Executive Officer's Review on pages 32 to 35
- Performance Against Strategy on pages 93 to 148

D.1.1 RESPONSIBILITY OF THE BOARD FOR STATUTORY AND REGULATORY REPORTING

PRINCIPLE The Board responsibility to present a balanced assessment extends to interim and other price-sensitive public reports and reports to regulators

The responsibility of the Board in respect of financial reporting is stated in the Statement of Directors' Responsibility for Financial Reporting on pages 151 to 152.

D.1.2 DIRECTORS' REPORT

PRINCIPLE The Directors' Report in the Annual Report should contain certain declarations to the effect set out in the Code

Director's 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 69.

D.1.3 RESPONSIBILITIES OF THE BOARD AND AUDITORS FOR PREPARATION OF FINANCIALSTATEMENTS

PRINCIPLE The Annual Report should contain a statement setting out the responsibilities of the Board for the preparation and presentation of financial statements, together with a statement by the Auditors about their reporting responsibilities. Further, the Annual Report should contain a report/statement on internal control

Directors' responsibility in preparation and presentation of financial statements are disclosed in the Statement on Directors' Responsibility for Financial Reporting on pages 151 to 152.

Directors' Statement on Internal Controls is set out on pages 73 to 74.

Auditor's responsibility over the financial statements is set out in the Independent Auditor's Report on page 155.

D.1.4 INCLUSION OF A 'MANAGEMENT DISCUSSION AND ANALYSIS' REPORT

PRINCIPLE The Annual Report should contain a 'Management Discussion and Analysis'

The requirements in detail are provided in the following reports.

Description	Reference
Industry structure and developments	• Environmental Analysis on pages 48 to 49
Opportunities and threats	• Environmental Analysis on pages 46 to 47
Risks and concerns	• Enterprise Risk Management on page 83 • Performance Against Strategy on page 143
Internal control systems and their adequacy	• Enterprise Risk Management on pages 85 to 89 • Board Audit Committee Report on pages 75 to 76 • Directors' Statement on Internal Control page 73 to 74
Social and environmental protection activities carried out by the Company	• Performance Against Strategy on pages 132 and 142
Financial performance	• Performance Against Strategy on pages 101 to 110
Material developments in human resource/industrial relations	• Performance Against Strategy on pages 114 to 122
Prospects for the future	• Chairman's Message on page 31 • Chief Executive Officer's Review on page 35 • Performance Against Strategy on pages 113, 122, 127, 130 and 142

ANNEX I - CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

D.1.5 DECLARATION OF GOING CONCERN BY DIRECTORS

PRINCIPLE The Directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary. The matters to which the Board should give due consideration when adopting the going concern assumption are set out in the Code

This information is provided in the Annual Report of the Board of Directors on the Affairs of the Company on page 72.

D.1.6 EXTRAORDINARY GENERAL MEETINGS IF THE NET ASSETS OF THE COMPANY FALL BELOW HALF OF THE SHAREHOLDERS' FUND

PRINCIPLE The net assets of the Company fall below 50% of the volume of the shareholders' funds, the Directors shall forthwith summon an EGM to notify shareholders

This type of a situation has not arisen during the period under review. However, in the event such a situation arises, an EGM would be called to inform shareholders.

D.1.7 ADEQUATE AND ACCURATE DISCLOSURE OF RELATED PARTY TRANSACTIONS

PRINCIPLE The Board should adequately disclose related party transactions in the Annual Report

The Company has a related party transactions policy in place. This policy provides detailed procedures on identification of related parties and related party transactions, review, approval or ratification of transactions and disclosures in financial statements.

A Related Party Transactions Review Committee is in place and details of the Committee are presented in the Related Party Transactions Review Committee Report on page 77.

Related party transactions are disclosed on pages 235 to 239.

D.2 INTERNAL CONTROL

PRINCIPLE The Board should have a process of risk management and a system of internal control to safeguard shareholders' investments and the Company's assets

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

PRINCIPLE The Directors should conduct an annual review of risks facing the Company and the effectiveness of the system of internal controls

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 programmes and updates them periodically.

D.2.2 NEED TO HAVE AN INTERNAL AUDIT FUNCTION

PRINCIPLE Companies should have an internal audit function

The Company has an internal audit function which is headed by an experienced and qualified professional.

D.2.3 AUDIT COMMITTEE TO CARRY OUT REVIEWS OF THE PROCESS AND EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROLS

PRINCIPLE The Board should require the 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 pages 75 to 76.

D.2.4 RESPONSIBILITY OF DIRECTORS IN MAINTAINING A SYSTEM OF INTERNAL CONTROL

PRINCIPLE Responsibility of Directors in maintaining a sound system of internal control and content of Statement of Internal Control

The Directors' Statement of Internal Control is given on page 73.

D.3 AUDIT COMMITTEE

PRINCIPLE The Board establishes formal and transparent arrangements for considering how they should select and apply accounting policies, financing reporting and internal control principles and maintaining an appropriate relationship with the Company's Auditors.

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.

ANNEX I - CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

D.3.1 COMPOSITION OF THE AUDIT COMMITTEE

PRINCIPLE The Audit Committee should be comprised exclusively of Non-executive Directors, a majority of whom should be independent

The Board Audit Committee comprise exclusively Non-executive Directors of whom two are independent.

Details of the Board Audit Committee are provided on pages 59 to 60.

D.3.2 INDEPENDENCE AND OBJECTIVITY OF THE AUDITORS

PRINCIPLE The duties of the Audit Committee should include keeping under review the scope and results of the audit, its effectiveness, 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

PRINCIPLE Audit Committee should have a written terms of reference, dealing with its authority and duties

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: NAME OF DIRECTORS ON THE AUDIT COMMITTEE AND BASIS OF DETERMINATION OF INDEPENDENCE OF EXTERNAL AUDITORS

PRINCIPLE The Annual Report should disclose the names of Directors comprising of the Audit Committee, a determination of independence of the Auditors and a report by the Committee

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 75.

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 75.

D.4 CODE OF BUSINESS CONDUCT AND ETHICS FOR DIRECTORS

PRINCIPLE Companies must adopt a Code of Business Conduct and Ethics for Directors and Key Management Personnel and must promptly disclose any waivers of the Code

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

PRINCIPLE The Companies must disclose whether they have a Code of Business Conduct and Ethics for Directors and Key Management Personnel should be disclosed in the Annual Report with an affirmative declaration of compliance

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

PRINCIPLE The Chairman must affirm in the Company's Annual Report that he is not aware of any violation of any of the provisions 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 69.

D.5 CORPORATE GOVERNANCE DISCLOSURES

PRINCIPLE Directors should be required to disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance

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

PRINCIPLE The Directors should include in the Company's Annual Report a Corporate Governance Report

This report on conformance governance including corporate governance on pages 52 to 67 serves this purpose.

ANNEX I - CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE

SECTION 2: SHAREHOLDERS

E. INSTITUTIONAL INVESTORS

E.1 SHAREHOLDERS VOTING

PRINCIPLE Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intensions are translated into practice

All shareholders are encouraged to participate at AGM and cast their votes.

E.1.1 REGULAR AND STRUCTURED DIALOGUE WITH SHAREHOLDERS

PRINCIPLE A regular and structured dialogue should be conducted with shareholders

The AGM is used as a forum to have a structured and objective dialogue with shareholders.

E.2 EVALUATION OF GOVERNANCE DISCLOSURES

PRINCIPLE Evaluation institutional investors should be encouraged to give due weight to relevant governance arrangements

Sufficient attention has been given to the interests of institutional investors. The Conformance Governance report in the Annual Report sets out the Company's governance arrangements.

F. OTHER INVESTORS

F.1 INVESTING/DIVESTING DECISION

PRINCIPLE Individual shareholders should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions

Individual shareholders are encouraged to carry out adequate analysis or seek independent advice on their investing, holding or divesting decisions. The Annual Report and other publications contain sufficient information to make an informed decision.

F.2 SHAREHOLDER VOTING

PRINCIPLE Individual shareholders should be encouraged to participate in General Meetings of Companies and exercise their voting rights

All shareholders are encouraged to participate at Annual General Meetings and cast their votes.

G. SUSTAINABILITY REPORTING

PRINCIPLE The Company should carry out the sustainability reports on economic, environment, labour practices, society, product responsibility, stakeholders identification, engagement and effective communication and sustainable reporting as part of Company's reporting process

The Company recognises that a sustainability report presents the organisation's value and governance model, and demonstrate the link between its strategy and its commitment to a sustainable global economy.

Ref.	Description	Reference
G.1.1	Economic sustainability	Page 146
G.1.2	Environment	Pages 138 to 142
G.1.3	Labour practice	Pages 114 to 122
G.1.4	Society	Pages 131 to 132
G.1.5	Product responsibility	Pages 124 to 127
G.1.6	Stakeholder identification, engagement and effective communication	Pages 37 to 39
G.1.7	Sustainable reporting and disclosure as part of the Company's reporting process	Pages 275 to 277

ANNEX II - LISTING RULES OF THE COLOMBO STOCK EXCHANGE

COMPLIANCE WITH REQUIREMENTS OF RULE 7.6 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE AS OF THE REPORTING DATE

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 70.
7.6 (ii)	Principal activities of the entity and any changes therein	Please refer Annual Report of the Board Directors on the Affairs of the Company on page 68 and Note 1 in Notes to the Financial Statements on page 162.
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 278. The Company has not issued any non-voting shares.
7.6 (iv)	The public holding percentage	Please refer Shareholder Information on page 279.
7.6 (v)	A statement of each Director's holding and CEO's holding in shares of the entity at the beginning and end of each financial year	Please refer Shareholder Information on page 279.
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Company	Please refer Enterprise Risk Management report on pages 85 to 89 and Performance Against Strategy on page 143.
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 land holdings and investment properties	The Company does not possess any land holding and investment properties.
7.6 (ix)	Number of shares representing the entity's stated capital	Please refer Note 29 on page 206 under Notes to the Financial Statements.
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 on page 280.
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 on page 281.

Rule Ref.	Information Required to be Disclosed	Annual Report Section Reference
	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 and 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;	Please refer Note 21 on pages 188 to 189 under the Notes to the Financial Statements.
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 70.
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 Rules	Please refer pages 267 to 269
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.

COMPLIANCE WITH REQUIREMENTS OF RULE 7.10 OF THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE AS OF THE ANNUAL REPORT DATE

Rule Ref.	Requirement	Details of the Company's Action for Complaince
7.10.1	**NON-EXECUTIVE DIRECTORS**	
a.	Two or one third of the Directors, whichever is higher, should be Non-executive Directors	All Directors are Non-executive Directors.
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, six out of seven Directors were Non-executive.
c.	Any change occurring to this ratio shall be rectified within ninety (90) days from the date of change	No changes occurred in the ratio of Non-executive Directors.

ANNEX II - LISTING RULES OF THE COLOMBO STOCK EXCHANGE

Rule Ref.	Requirement	Details of the Company's Action for Compliance
7.10.2	**INDEPENDENT DIRECTORS**	
a.	Two or one third of Non-executive Directors, whichever is higher, should be independent	Four out of seven Directors are independent.
b.	Each non-executive Director should submit a declaration of independence/non-independence in the prescribed format	All Non-executive Directors have submitted the required declarations.
7.10.3	**DISCLOSURES**	
a.	Names of Independent Directors should be disclosed in the Annual Report	Please refer Directors profiles on pages 10 to 12.
b.	In the event a Director does not qualify as independent as per rules on cooperate 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.
c.	A brief resume of each Director should be published in the Annual Report, including the areas of expertise	Please refer profiles of the Board of Directors on pages 10 to 12.
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 four new Directors appointed were forwarded to the CSE upon receiving the IRCSL approval for their appointments.
7.10.4	**CRITERIA FOR DEFINING INDEPENDENCE**	
a - h	Requirement for meeting criteria to be independent	All Independent Directors of the Company met the criteria for independence specified in this rule.
7.10.5	**REMUNERATION COMMITTEE**	
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 comprises three Non-executive Directors out of whom two are 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 the Chairman of the Remuneration and Nomination Committee.
b.	Functions of the Remuneration Committee shall be to recommend the remuneration of the Chief Executive Officer and Executive Directors	Please refer Remuneration and Nomination Committee Report on page 78.

Rule Ref.	Requirement	Details of the Company's Action for Complaince
c.	The Annual Report shall set out: The names of the Directors that comprise the Remuneration Committee	Please refer Remuneration and Nomination Committee Report on page 78.
	A statement of remuneration policy	Please refer Remuneration and Nomination Committee Report on pages 78 to 79.
	Aggregate remuneration paid to Executive and Non-executive Directors	Please refer the Annual Report on the Board of Directors on the Affairs of the Company on page 71.
7.10.6	**AUDIT COMMITTEE**	
a.	The Audit Committee shall comprise a minimum of two Independent, Non-executive Directors, or a majority of Independent, Non-executive Directors, whichever is higher	The Board Audit Committee comprises of three Non-executive Directors out of whom two are Independent, Non-executive Directors.
	One Non-executive Director shall be appointed as Chairman of the Audit Committee by the Board	Mr. Lakshman Abeysekara, a Non-executive Independent Director functions as the Chairman of the Committee.
	The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	The Chief Executive Officer and Head of Finance attend the Board Audit Committee meetings by invitation.
	The Chairman or one member of the Committee should be a member of a recognised professional accounting body	Mr. Lakshman Abeysekera, who functions as the Chairman of the Audit Committee is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (ICASL) and Association of Accounting Technicians of Sri Lanka (AAT).
b.	The functions of the Audit Committee shall be set out in section 7.10 of the Listing Rules	Please refer 'Board Audit Committee Report' on pages 75 to 76.
c.	The Annual Report shall set out; The names of the Directors who comprise the Audit Committee The Audit Committee shall make a determination of the independence of the auditors and disclose the basis for such determination A report by the Audit Committee setting out the manner of compliance of the functions set out in section 7.10 of the listing rules	

GRI 102 - 56

ANNEX III – INDEPENDENT ASSURANCE REPORT ON SUSTAINABILITY REPORTING

Building a better working world

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INDEPENDENT ASSURANCE REPORT TO PEOPLE'S INSURANCE PLC ON THE SUSTAINABILITY REPORTING CRITERIA PRESENTED IN THE INTEGRATED ANNUAL REPORT - 2017

Introduction and scope of the engagement

The management of People's Insurance PLC ("the Company") engaged us to provide an independent assurance on the following elements of the sustainability reporting criteria presented in the annual report - 2017 ("the Report").

- Reasonable assurance on the information on financial performance as specified on page 146 of the Report.
- Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative GRI Standards: 'In accordance' - Core guidelines.

Basis of our work and level of assurance

We performed our procedures to provide limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information', issued by the Institute of Chartered Accountants of Sri Lanka ("CASL").

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines ("GRI Guidelines") and related information in particular, the requirements to achieve GRI Standards 'In accordance' - Core guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance.

Management of the Company's responsibility for the Report

The management of the Company is responsible for the preparation of the self-declaration, the information and statements contained within the Report, and for maintaining adequate records and internal controls that are designed to support the sustaining reporting process in line with the GRI Sustainability Reporting Guidelines.

Ernst & Young's responsibility

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative, GRI Standards: 'In accordance' - Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 27 October 2017. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code of Ethics for Professional Accountants issued by the CASL.

Key assurance procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

- Interviewing relevant the company's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- Reviewing and validation of the information contained in the Report.
- Checking the calculations performed by the Company on a sample basis through recalculation.
- Reconciling and agreeing the data on financial performance are properly derived from the Company's audited financial statements for the year ended 31 December 2017.
- Comparison of the content of the Report against the criteria for a Global Reporting Initiative, GRI Standards: 'In accordance' - Core guidelines.

Our procedures did not include testing electronic systems used to collect and aggregate the information.

Limitations and considerations

Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

Conclusion

Based on the procedures performed, as described above, we conclude that;

- The information on financial performance as specified on page 146 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 December 2017.
- Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from Sustainability Reporting Guideline, GRI Standards - 'In accordance' - Core.

Ernst + Young

Ernst & Young
Chartered Accountants
15 February 2018
Colombo

ANNEX IV – GREENHOUSE GAS VERIFICATION STATEMENT

Greenhouse Gas Verification Statement
ISO 14064-1:2006

Sri Lanka Climate Fund

Ministry of Mahaweli Development and Environment

ISO 14065
GHG 001-01

Certifies that the GHG Inventory developed based on Historical data submitted by

People's Insurance PLC

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

Certificate No	: SLCF/CFP/0033
Date of Certification	: 29/01/2018
Period of Assessment	: 01.01.2017 – 31.12.2017
Selected boundary	: Operationally controlled business operations of People's Insurance PLC's Head office (located at No.07, Havelock Road, Colombo 05), two regional offices (located at No.118, Mathara Road, Galle and No.159, Colombo Road, Negombo), and 106 window offices (located at People's Leasing & Finance PLC).

Greenhouse Gas Inventory – 2017

Scope 1 – Direct GHG Emissions : 94 tonnes of CO_2 equivalent
(Onsite diesel generators, Company owned bikes, Company owned petrol cars, SUVs, Company hired vehicles-allowance paid by the company, Company hired vehicles- fuel paid by the company and Refrigerant leakage)

Scope 2 – Indirect GHG Emissions from Electricity : 240 tonnes of CO_2 equivalent
(Purchased electricity)

Scope 3 – Other Indirect GHG Emissions : 144 tonnes of CO_2 Equivalent
(Rent vehicles, Municipal Water, Electricity transmission and distribution loss, Employee commuting not paid by the company, Waste disposal and Business air travel)

TOTAL GHG Emissions : 478 tonnes of CO_2 equivalent

GHG INVENTORY VERIFICATION
ISO 14064-1
SRI LANKA CLIMATE FUND

....
Chief Executive Officer
Sri Lanka Climate Fund

Period of Validity: 29/01/2018 - 31/12/2018
Exclusions: Sea freight & Air freight, Transport of the materials purchased locally, Transport of the water bottles, Quantity of the waste disposal in Regional branches & window Offices and Food waste disposal in the head Office.
*Reasonable level of assurance- Materiality threshold is below 5%

ANNEX V – MANAGEMENT APPROACH AT A GLANCE

Material GRI No./Topic	Management Approach
201 Economic performance	PI is committed generating economic value through its value creation activities, distribute them among its stakeholders based on their claims and retain the balance for sustainable development. Performance aspect of PI is facilitated through conformance governance including risk management. In order to achieve the ultimate objectives short-term and medium-term targets are established within the organisation and required resources are allocated based on the strategy and the progress is monitored against the specified targets. Refer Value Addition and Distribution on page 146.
204 Procurement practices	PI ensures that procurement practices are handled centrally by the administration department. As per the group policy, suppliers are assessed at the registration against the economic, social and environmental criteria. PI promotes local sourcing for the procurement and targets are set and adequate resources are allocated set as a part of budgetary process to smoothen the process. Refer Social and Relationship Capital on pages 128 to 129.
205 Anti-corruption	PI always encourages anti-corruption behavior through its business ethics policies; Code of Ethical Conduct for Office Staff and Code of Ethical Conduct for Sales Persons. In the instance of a bribery/corruption takes place, our internal auditors and HR department are responsible in investigating and taking due disciplinary actions. Refer Conformance Governance on page 66.
206 Anti-competitive behavior	We are responsible in this regard and stand committed to uphold free and fair competition even though we operate in an intensively-competitive industry. We have to compete with our peer organisations to gain market share and grow our top-line. We purely rely on our expertise, parent support, brand and our solid corporate standing we have earned over the span of eight years in operations to market and promote our products and services. Our 'Policy on Business Ethics' clearly guides us to be ethical in all our business dealings. We strive to maintain fair premiums without resorting to under-cutting. Refer Social and Relationship Capital on page 125.
302 Energy	Even though the impact of energy usage is relatively less as an insurance service provider, we are proactive in our efforts to conserve and be energy efficient in our day-to-day operations. We continued to follow sound energy practices across the organisation; including controlling our electricity consumption, using energy efficient appliances. We monitor this aspect through annual carbon footprint computation and setting short term, medium and long term strategic objectives of the Company. Refer Natural Capital on page 140.
305 Emissions	PI tracks emissions to compute carbon footprint annually. Steps are taken to encourage employees to reduce emissions and set strategic objectives to reduce the carbon footprint. Refer Natural Capital on pages 141 to 142.
306 Effluents and waste	Striving to minimise our paper usage and moving towards a 'less paper' operation, we continued to follow the '3R' concept, seeking to bring in measure to 'Reduce, Reuse and Recycle' paper. We also rely on technology to give us more comprehensive solutions to manage our paper waste and support our endeavour to minimise our effluents and waste. The collection and storage points are conveniently located within the work areas at the corporate office whilst administration department is responsible for sending waste paper and E-waste for recycling. Refer Natural Capital on page 140.
307 Environmental compliance	Being a responsible corporate citizen, PI voluntarily follow the environment compliance, even though our business operations do not directly come under this compliance requirement. Refer Natural Capital on page 139.
401 Employment	PI stand unwavering in our commitment to develop, nurture and empower them, paving a steady and an equal-opportunity workplace with positive engagement. All HR related functions are managed jointly by the group HR department and the Company's HR department and guided by the group HR policies and practices. As a part of the budgetary process, PI estimates manpower requirements, their monitory and non-monitory benefits and allocate required resources. Employees are evaluated against the set KPIs as a part of annual evaluation process. We also have a structured grievance redressal mechanism in place under the purview of our HR department. Refer Human Capital on pages 115 to 116.

GRI 102 - 41 GRI 103 - 02,03

ANNEX V – MANAGEMENT APPROACH AT A GLANCE

Material GRI No./Topic	Management Approach
402 Labour/ management relations	Our employees are not covered by any collective bargaining agreements and there is neither formal mechanism nor a minimum notice period to inform employees on any structural and operational changes taking place within the Company. However, PI is committed to make all employees aware of the significant operational changes with reasonable time frame. During the year, the Company shifted to a new location and took necessary actions to keep employees positively engaged in this regard. Required resources are allocated to facilitate the operational changes as appropriate. All grievances, including violations of fundamental rights and labour laws are addressed by our supervisors and the management, and if in the event, the grievances are not resolved, we seek the mediation of HR department.
404 Training and education	Gearing to face the challenges of a rapidly-changing business landscape, we focus on employee skills development as a strategic priority – empowering the employees and paving the path for the long term sustainability. Our training is versatile, entailing on-the-job training, cross placement opportunities across the Group, professional education scheme and structured training programmes. We closely engage our employees, especially during the performance evaluations, to ascertain the training needs both from the Company's point of view and from the employees point of view. Our training plan which is drawn up annually takes into account employees feedback and the immediate supervisor's and manager's recommendations. Required resources are allocated at the time of budget to conduct training and education of employees. Refer Human Capital on pages 118 to 119.
405 Diversity and equal opportunity	As an 'equal opportunity' employer, we strive to nurture an open and an inclusive work culture where employees are treated fairly and respected without prejudice. We have increasingly looked at striking a balance in our cadre composition, seeking to bring in greater diversity in terms of gender, age and ethnicity. Refer Human Capital on pages 115 to 116.
406 Non-discrimination	Being a socially responsible company, PI avoids discrimination on the grounds of race, ethnicity, gender, religion or political opinion guided by the business ethics policy and code of ethical conduct for sales persons and office staff. Refer Human Capital on pages 115 to 116.
417 Marketing and labelling	We are conscientious in our approach to marketing communications and promotions following best practices and upholding integrity, accountability and fair competition. Our marketing initiatives look to enhance our brand strength for 'top-of-the-mind' recall and promote our product range on offer, important to gain greater market place. Adequate resources are allocated according to the marketing strategy at the budgetary process. Refer Social and Relationship Capital on pages 126 to 127.
418 Customer privacy	As an insurance provider, we are privy to our customers' personal information and data. Well aligned to group ethos, we stand committed and responsible in respecting and safeguarding customer identity, their privacy along with confidentiality of information and data. Customer information and data are not shared with third parties, including the group companies without prior written consent or without a legal agreement. In the event information and data are shared on agreement, the third party institutions are bound legally to maintain confidentiality. Information and data are however shared within statutory and regulatory boundaries under the purview of our regulators, inter-alia, the IRCSL and Central Bank of Sri Lanka (CBSL). In effect, we submit a quarterly report the CBSL on customers and all transactions above Rupees one million in compliance with the Know Your Customer policy and under the Anti-Money Laundering Law. Refer Social and Relationship Capital on page 127.
419 Socio economic compliance	PI is committed to ensuring that the business operations have no negative impact on community. Engagements with local communities and voluntary compliances are used to prevent and mitigate social impacts. Refer Social and Relationship Capital on page 132.

ANNEX VI – GRI CONTENT INDEX – 'IN ACCORDANCE' - CORE

GRI Standard	Disclosure	Page Number(s)	Remarks
UNIVERSAL STANDARDS			
General Disclosures			
GRI 102: General Disclosures	102-1 Name of the organisation	298	
	102-2 Activities, brands, products, and services	9 97-99	
	102-3 Location of Headquarters	298	
	102-4 Location of operations	6	
	102-5 Ownership and legal form	298	
	102-6 Markets served	9 292-297	
	102-7 Scale of the organisation	19 - 21 101	
	102-8 Information on employees and other works	121 - 122	
	102-9 Supply chain	128 - 129	
	102-10 Significant changes to the organisation and its supply chain		There were no significant changes to the organisation other than the shifting of the Company's corporate office to a new location. No significant change to the Company's supply chain took place during the year under review
	102-11 Precautionary principle or approach		Being an insurance service provider, our products do not have a direct impact on the environment and therefore, we do not assess the environment impact before launching products.
	102-12 External initiatives	5	
	102-13 Membership of Organisations	7	
	102-14 Statement from senior decision-maker	32 - 35	
	102-16 Values, principles, standards and norms of behaviour	8 - 65	
	102-18 Governance structure	58 131	
	102-40 List of stakeholder groups	37	
	102-41 Collective bargaining agreements	274	
	102-42 Identifying and selecting stakeholders	37	
	102-43 Approach to stakeholder management	38 - 39	
	102-44 Key topics and concerns raised	38 - 39	
	102-45 Entities included in the consolidated financial statements	162	

ANNEX VI – GRI CONTENT INDEX – 'IN ACCORDANCE' - CORE

GRI Standard	Disclosure	Page Number(s)	Remarks
GRI 102: General Disclosures	102-46 Defining report content and report boundaries	6 40 - 41	
	102-47 List of material topics	40 - 41	
	102-48 Restatements of information	6	
	102-49 Changes in reporting	41	
	102-50 Reporting period	6	
	102-51 Date of most recent report	5	
	102-52 Reporting cycle	6	
	102-53 Contact point for questions regarding the report	6	
	102-54 - Claims of reporting in accordance with the GRI standards	5	
	102-55 GRI content index	275 - 277	
	102-56 External assurance	6 270 - 271	
	103-1 Explanation of the material topic and its boundary	40 - 41 273 - 274	
	103-2 The management approach and its components	273 - 274	
	103-3 Evaluation of the management approach	273 - 274	
ECONOMIC STANDARDS			
GRI 201: Economic Performance	201-1 Direct economic value generated and distributed	146	
	201-3 Defined benefit plan obligations and other retirement plans	210 - 212	
GRI 204: Procurement Practices	204-1 Proportion of spending on local suppliers	129 - 130	
GRI 205: Anti-corruption	205-3 Confirmed incidents of corruption and actions taken		No incidents of corruption reported during the year under review
GRI 206: Anti-competitive behaviour	206-1 Legal actions for anti-competitive behaviour, ant-trust, and monopoly practices	125	

GRI Standard	Disclosure	Page Number(s)	Remarks
ENVIRONMENTAL STANDARDS			
GRI 302: Energy	302-1 Energy consumption within the organisation	140	
	302-3 Energy intensity	140	
GRI 305: Emissions	305-1 Direct (Scope 1) GHG Emissions	141	
	305-2 Energy indirect (Scope 2) GHG Emissions	142	
	305-3 Other indirect (Scope 3) GHG Emissions	142	
	305-4 GHG emissions intensity	142	
GRI 306: Effluents & waste	306-2 Waste by type and disposal methods	140	
GRI 307: Environmental Compliance	307-1 Non-compliance with environmental laws and regulations	139	
SOCIAL STANDARDS			
GRI 401: Employment	401-1 New employee hires and employee turnover	117 - 118	
	401-2 Benefits provide to full-time employees that are not provided to temporary or part-time employees	117	
GRI 402: Labour/Management Relations	402-1 Minimum notice periods regarding operational changes	274	
GRI 404: Training and Education	404-1 Average hours of training per year per employee	116 119	
	404-2 Programmes for upgrading employee skills and transition assistance programs	119 - 120	
	404-3 Percentage of employees receiving regular performance and career development reviews	118	
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	10 - 12 121 - 122	
GRI 406: Non-discrimination	406-1 Incidents of discrimination and corrective actions taken	115	
GRI 417: Marketing & Labelling	417-1 Requirements for product and service information and labelling	126	
	417-3 Incidents of non-compliance concerning marketing communications	127	
GRI 418: Customer Privacy	418-1 Substantiated complaints concerning breach of customer privacy and losses of customer data	127	
GRI 419: Socioeconomic Compliance	419-1 Non-compliance with laws and regulations in the social and economic area	132	

SHAREHOLDER INFORMATION

COMPANY OVERVIEW

People's Insurance PLC was incorporated as a public limited liability company on 22nd July 2009 under the Companies Act No. 7 of 2007 and was registered as a non-life insurance provider under the Regulation of Insurance Industry Act No. 43 of 2000.

The Company commenced commercial operations in January 2010, with its main focus on motor insurance, although many other non-life insurance products were also offered to its clients.

The information required by section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) in its annual report and accounts is disclosed below.

NAMES OF DIRECTORS

The names of persons who held the position of Directors during the financial year are given in the Annual Report of the Board of Directors on page 70.

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 68 and Note 1 to the Financial Statements on page 162.

TOP 20 SHAREHOLDERS

The 20 largest shareholders as at 31st December 2017 and 31st December 2016 are given in the following table.

Name of the Shareholder	31st December 2017		31st December 2016	
	Shareholding	% on Total No. of Shares	Shareholding	% on Total No. of Shares
People's Leasing & Finance PLC	150,000,000	75.00	150,000,000	75.00
Mr. Kulappu Arachchige Don Anurada Perera	5,293,721	2.65	3,380,884	1.69
J.B. Cocoshell (Pvt) Ltd.	3,866,876	1.93	4,287,562	2.14
Union Assurance Plc/Account No. 05 (Unit-Linked Life Insurance Fund-Equity Tracker Fund)	3,189,753	1.59	971,451	0.49
Deutsche Bank AG as Trustee for JB Vantage Value Equity Fund	2,934,413	1.47	2,934,413	1.47
Rubber Investment Trust Limited A/C # 01	2,689,400	1.34	2,689,400	1.34
Seylan Bank PLC/Pinnadoowage Aravinda De Silva	2,476,242	1.24	1,000,000	0.50
Askold (Private) Limited	2,422,600	1.21	2,122,600	1.06
The Ceylon Investment PLC A/C # 02	1,765,200	0.88	1,765,200	0.88
The Ceylon Guardian Investment Trust PLC A/C # 02	1,765,200	0.88	1,765,200	0.88
Ms. Indrani Kusumalatha De Silva	1,500,800	0.75	-	-
Jafferjee Brothers (Exports) Limited	1,159,300	0.58	1,159,300	0.58
Bank of Ceylon A/C NDB Wealth Growth Fund	775,000	0.39	998,234	0.50
Mr. Murtaza Ali Jafferjee	769,100	0.38	769,100	0.38
Mr. Gulzar Hussein Ibrahim Jafferjee (Deceased)	769,100	0.38	769,100	0.38
Dr. (Mrs.) Vasantha Bandaranayake	737,426	0.37	-	-
Seylan Bank PLC/Channa Nalin Rajahmoney	675,000	0.34	-	-
Deutsche Bank AG as Trustee for Guardian Acuity Equity Fund	645,960	0.32	-	-
Hallsville Trading Group INC.	626,500	0.31	626,500	0.31
E.W. Balasuriya & Co. (Pvt) Ltd.	626,500	0.31	626,500	0.31
	184,688,091	92.32	175,865,444	87.91
Others	15,311,909	7.68	24,134,556	12.09
	200,000,000	100.00	200,000,000	100.00

PUBLIC SHAREHOLDING

The details of the public shareholding is given below.

	31st December 2017		31st December 2016	
	No. of Shares	% on Total No. of Shares	No. of Shares	% on Total No. of Shares
Number of shareholders	1,475	99.93	1,514	99.89
Number of shares	50,000,000	25.00	49,875,000	24.94

DIRECTORS' SHAREHOLDING

The details of the Directors' Shareholding at the beginning and at the end of the year are given as follows.

Name of Director	Number of Shares	
	As at 31st December 2017	As at 31st December 2016
Jehan P. Amaratunga	-	-
N. Vasantha Kumar	-	-
D. P. Kumarage (Resigned on 30th June 2017)	-	125,000
Lakshman Abeysekera	-	-
W. M. Abeyrathna Bandara	-	-
N. P. Karunarathne	-	-
S. P. K. Gunarathne	-	-
A. S. Ibrahim	-	-

CHIEF EXECUTIVE OFFICER'S SHAREHOLDING

Name	Number of Shares	
	As at 31st December 2017	As at 31st December 2016
D. D. C. Abeysekera	-	-

MATERIAL FORESEEABLE RISK FACTORS OF THE COMPANY

Information pertaining to material foreseeable risk factors is given on the Enterprise Risk Management report on pages 85 to 89.

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.

SHAREHOLDER INFORMATION

STATED CAPITAL

The number of shares representing the Company's stated capital is given below.

As at	31st December 2017	31st December 2016
Stated capital (Rs.)	1,350,000,000	1,350,000,000
No. of shares	200,000,000	200,000,000
Class of shares	Ordinary shares	Ordinary shares
Voting rights	One vote per ordinary share	One vote per ordinary share

SHAREHOLDINGS

a) Distribution and Composition of Shareholding

There were 1,476 registered shareholders as at 31 December 2017. The distribution and composition of shareholders are given as follows;

Shareholding	Resident			Non-resident			Total		
	No. of Shareholders	No. of Shares	% on Total No. of Shares	No. of Shareholders	No. of Shares	% on Total No. of Shares	No. of Shareholders	No. of Shares	% on Total No. of Shares
1 – 1,000 Shares	741	298,633	0.15	2	344	0.00	743	298,977	0.15
1,001 – 10,000 Shares	487	2,445,065	1.22	3	15,400	0.01	490	2,460,465	1.23
10,001 –100,000 Shares	189	5,531,195	2.77	4	104,400	0.05	193	5,635,595	2.82
100,001 –1,000,000 Shares	35	11,552,793	5.78	3	988,665	0.49	38	12,541,458	6.27
Over 1,000,000 Shares	12	179,063,505	89.53	-	-	-	12	179,063,505	89.53
Total	**1,464**	**198,891,191**	**99.45**	**12**	**1,108,809**	**0.55**	**1,476**	**200,000,000**	**100.00**

b) Analysis of Shareholders

i. Resident/Non-resident

	31st December 2017		
	No. of Shareholders	No. of Shares	%
Resident	1,464	198,891,191	99.45
Non-Resident	12	1,108,809	0.55
Total	**1,476**	**200,000,000**	**100.00**

ii. Individual/Institutional

	31st December 2017		
	No. of Shareholders	No. of Shares	%
Individual	1,371	18,856,867	9.43
Institutional	105	181,143,133	90.57
Total	**1,476**	**200,000,000**	**100.00**

INVESTOR RATIOS

Year	Earnings Per Share (EPS) Rs.	Dividend Per Share (DPS) Interim Rs.	Final Rs.	Dividend pay-out Ratio %	Net Assets Per Share (NAPS) Rs.
2011	0.48	-	0.20	12	10.67
2012	1.56	-	1.00	25	14.38
2013	2.47	1.50	0.75	36	18.08
2014	3.00	1.50	2.00	47	23.50
2015	3.09	2.00	0.60	52	15.01
2016	3.29	1.50	0.25	53	13.14
2017	3.87	1.75	0.25	52	15.35

SHARE PERFORMANCE

Details relating to the share performance are given below.

	2017			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Number of transactions	443	861	904	657
Number of shares traded	1,397,042	8,369,335	2,737,550	2,867,723
Value of share traded (Rs.)	26,537,985	162,823,228	62,234,007	70,165,174
Market price per share				
- Highest (Rs.)	20.50	23.70	24.20	25.90
- Lowest (Rs.)	17.30	18.30	20.80	21.70
- Last traded price	18.30	21.50	23.20	23.00
P/E Ratio	4.24	4.93	5.92	5.94

VALUATION OF PROPERTY PLANT AND EQUIPMENT

There were no significant changes in the Company's property, plant and equipment (PPE) and the Company did not own lands as assets. Details relating to the changes in the Company's PPE are given in Note 21 to the financial statements on pages 187 to 189.

EMPLOYEE SHARE OPTION SCHEME

There is no employee share ownership scheme in the Company.

DISCLOSURES PERTAINING TO THE CORPORATE GOVERNANCE

Disclosures pertaining to corporate governance practices in terms of Rules 7.10.3, 7.10.5 (c), and 7.10.6 (c) of section 7 of the rules are given in the on pages 268 to 269.

RELATED PARTY TRANSACTIONS

There were no non-recurring individual transactions exceeding the limit of 10% of the equity or 5% of the total assets during the year with any related party of the Company. However, all related party transactions at aggregate level have been disclosed in Note 44 to the financial statements.

SHAREHOLDER INFORMATION

INITIAL PUBLIC OFFERING

Raise of funds

The Company offered 50 million ordinary shares at Rs. 15 per share to the public and raised Rs. 750 million from the Initial Public Offering (IPO) carried out in December 2015. New ordinary shares in respect of the IPO were issued in January 2016. The objectives of the IPO were as follows;

1. Meet the regulatory requirement of listing the Company on a licensed stock exchange by 7th February 2016 as per section 52(1) of the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011.

2. Further strengthen the equity base of the Company and thereby the Capital Adequacy Ratio (CAR) under the Risk Based Capital (RBC) regime implemented by the IRCSL effective from 2016.

The funds raised from the IPO were to be invested in financial securities keeping in line with asset allocation strategy of the Company.

Utilisation of funds

According to the objective number two specified above, the funds raised were invested in financial securities. A detailed analysis of the utilisation of funds is tabulated below.

Obj. No.	Objective as per prospectus	Amount allocated as per Prospectus in Rs.	Proposed date of utilisation as per prospectus (A)	Amount allocated from proceeds in Rs.	% of total proceeds	Amount utilised in Rs. (B)	% of utilisation against allocation (B/A)	Classification if not fully utilised including where the funds are invested
2	Please refer objective no. 2 above. The proposed asset allocation for the funds raised through IPO as per the prospectus is as follows;							
	Corporate debt	375,000,000	During the financial year 2016	375,000,000	50%	375,000,000	100%	
	Fixed deposits	187,500,000		187,500,000	25%	187,500,000	100%	
	Government securities	112,500,000		112,500,000	15%	120,255,580	130%	Note
	Equity	75,000,000		75,000,000	10%	67,244,420	90%	
		750,000,000		750,000,000	100%	750,000,000		

Note: The amount invested in equity does not include the listed shares amounting to Rs. 31,327,938 which were purchased using the IPO funds and sold as at the reporting date. Unutilised funds have been temporary invested in Government securities.

QUARTERLY ANALYSIS 2017

	1st Quarter Jan - Mar Rs.	2nd Quarter Apr - Jun Rs.	3rd Quarter Jul - Sep Rs.	4th Quarter Oct - Dec Rs.	Total Rs.
Revenue	1,147,589,062	1,190,029,708	1,202,926,131	1,250,868,913	4,791,413,814
Gross written premium	1,041,786,239	1,014,359,575	1,482,994,808	1,242,778,392	4,781,919,014
Net change in reserve for unearned insurance premium	38,469,075	98,949,580	(330,153,775)	(62,776,705)	(255,511,825)
Gross earned premium	1,080,255,314	1,113,309,155	1,152,841,033	1,180,001,687	4,526,407,189
Premium ceded to reinsurers	(62,758,369)	(118,824,323)	(183,701,203)	(62,460,600)	(427,744,495)
Net change in reserve for unearned reinsurance premium	(27,906,127)	(6,205,090)	69,701,068	(37,070,110)	(1,480,259)
Net earned premium	989,590,818	988,279,742	1,038,840,898	1,080,470,977	4,097,182,435
Claims and expenses					
Net claims	(677,389,445)	(709,020,791)	(756,093,153)	(698,446,799)	(2,840,950,188)
Underwriting and net acquisition costs	(95,645,079)	(99,980,058)	(104,038,005)	(107,359,336)	(407,022,478)
Other operating and administrative expenses	(133,674,429)	(138,502,208)	(171,829,812)	(232,743,216)	(676,749,665)
	(906,708,953)	(947,503,057)	(1,031,960,970)	(1,038,549,351)	(3,924,722,331)
Underwriting results	82,881,865	40,776,685	6,879,928	41,921,626	172,460,104
Other revenue					
Fee income	9,864,948	9,062,328	11,894,646	10,982,741	41,804,663
Interest and dividend income	156,156,662	148,709,815	156,166,584	164,616,242	625,649,303
Net fair value gains/(losses)	(9,746,161)	43,662,597	(5,212,449)	(4,057,395)	24,646,592
Other operating revenue	1,722,795	315,226	1,236,452	(1,143,652)	2,130,821
	157,998,244	201,749,966	164,085,233	170,397,936	694,231,379
Profit before tax	240,880,109	242,526,651	170,965,161	212,319,562	866,691,483
Income tax expense	(25,026,466)	(22,017,841)	(18,800,609)	(27,761,121)	(93,606,037)
Profit for the period	215,853,643	220,508,810	152,164,552	184,558,441	773,085,446

Share Performance	Rs.	Rs.	Rs.	Rs.
Net asset value per share as at end of the quarter	13.45	14.33	14.35	15.29
Highest price per share during the interim period	20.50	23.70	24.20	25.90
Lowest price per share during the interim period	17.30	18.30	20.80	21.70
Last traded price per share as at end of the quarter	18.30	21.50	23.20	23.00

QUARTERLY ANALYSIS 2016

	1st Quarter Jan - Mar Rs.	2nd Quarter Apr - Jun Rs.	3rd Quarter Jul - Sep Rs.	4th Quarter Oct - Dec Rs.	Total Rs.
Revenue	962,305,032	1,028,451,146	1,136,336,905	1,123,015,146	4,250,108,228
Gross written premium	916,463,770	1,070,940,754	1,215,101,676	1,128,166,194	4,339,579,669
Net change in reserve for unearned insurance premium	37,906,697	(77,454,021)	(179,579,307)	(61,973,933)	(284,749,349)
Gross earned premium	954,370,467	993,486,733	1,035,522,369	1,066,192,261	4,054,830,320
Premium ceded to reinsurers	(45,023,701)	(180,130,788)	(77,363,202)	(48,203,597)	(350,721,288)
Net change in reserve for unearned reinsurance premium	(28,410,908)	80,396,984	(10,097,899)	(22,764,296)	19,123,881
Net earned premium	880,935,859	893,752,929	948,061,268	995,224,368	3,723,232,913
Claims and expenses					
Net claims	(605,509,711)	(644,226,066)	(713,727,778)	(664,831,508)	(2,628,295,063)
Underwriting and net acquisition costs	(91,153,217)	(93,573,858)	(96,369,832)	(99,387,482)	(380,484,389)
Other operating and administrative expenses	(115,489,259)	(119,654,489)	(137,831,305)	(135,343,571)	(508,318,624)
	(812,152,187)	(857,454,413)	(947,928,915)	(899,562,561)	(3,517,098,076)
Underwriting results	74,042,161	36,298,516	132,353	95,661,807	206,134,837
Other revenue					
Fee income	9,354,653	9,537,661	11,130,076	9,756,046	39,778,436
Interest and dividend income	99,468,933	115,766,409	126,639,383	133,079,547	474,954,272
Net fair value gains/(losses)	(34,333,497)	7,690,443	47,508,906	(9,841,472)	11,024,380
Other operating revenue	1,620,594	1,703,704	2,997,272	(5,203,343)	1,118,227
	76,110,683	134,698,217	188,275,637	127,790,778	526,875,315
Profit before tax	150,152,845	170,996,733	188,407,992	223,452,583	733,010,152
Income tax expense	(22,449,150)	(17,574,706)	(16,804,795)	(18,184,233)	(75,012,884)
Profit for the period	127,703,694	153,422,027	171,603,197	205,268,350	657,997,268

Share Performance	Rs.	Rs.	Rs.	Rs.
Net asset value per share as at end of the quarter	11.81	11.99	12.15	13.14
Highest price per share during the interim period	17.50	18.30	19.10	19.40
Lowest price per share during the interim period	14.70	16.20	16.20	18.00
Last traded price per share as at end of the quarter	16.90	16.20	18.70	19.00

FIVE YEAR SUMMARY

	2017 Rs.	2016 Rs.	2015 Rs.	2014 Rs.	2013 Rs.
Statement of Income (Rs.)					
Revenue	4,791,413,814	4,250,108,228	3,617,209,197	3,411,464,345	3,194,839,580
Gross written premium	4,781,919,014	4,339,579,669	3,813,271,656	3,440,608,282	3,251,084,198
Net earned premium	4,097,182,435	3,723,232,913	3,267,940,026	2,990,467,164	2,800,480,830
Net claims	(2,840,950,188)	(2,628,295,063)	(2,257,436,973)	(2,162,703,667)	(2,120,218,765)
Underwriting and net acquisition costs	(407,022,478)	(380,484,389)	(337,631,756)	(310,773,268)	(292,259,004)
Other operating and administrative expenses	(676,749,665)	(508,318,624)	(419,175,966)	(365,149,241)	(281,481,769)
Underwriting results	172,460,104	206,134,837	253,695,331	151,840,988	106,521,292
Other revenue	694,231,379	526,875,315	349,269,171	420,997,181	394,358,750
Profit before tax	866,691,483	733,010,152	602,964,502	572,838,169	500,880,042
Income tax expense	(93,606,037)	(75,012,884)	(138,797,208)	(122,711,070)	(130,055,888)
Profit for the year	773,085,446	657,997,268	464,167,294	450,127,099	370,824,154
Statement of Financial Position					
Assets					
Intangible assets	11,000,000	23,388,110	36,164,330	48,940,550	61,716,770
Property, plant and equipment	84,392,671	21,388,037	21,600,023	26,056,186	28,310,298
Deferred tax asset	28,484	1,871,693	-	-	-
Financial investments	6,136,594,446	5,469,881,112	4,931,438,835	3,644,915,439	3,190,344,558
Reinsurance and insurance receivables	1,088,633,562	828,695,737	686,355,800	661,014,992	546,024,788
Deferred expenses	238,256,786	220,580,020	200,827,593	180,766,259	167,355,627
Other assets	69,549,058	16,003,150	20,016,352	11,942,400	22,204,603
Cash and bank balances	116,659,642	138,335,984	745,691,980	184,614,106	5,221,146
Total assets	7,745,114,649	6,720,143,843	6,642,094,913	4,758,249,932	4,021,177,790
Equity and liabilities					
Equity					
Stated capital	1,350,000,000	1,350,000,000	1,350,000,000	600,000,000	600,000,000
Reserves	1,707,239,826	1,279,456,934	900,994,133	810,041,452	484,881,247
Total equity	3,057,239,826	2,629,456,934	2,250,994,133	1,410,041,452	1,084,881,247
Liabilities					
Insurance contract liabilities	4,073,554,521	3,557,794,382	3,166,616,516	2,901,132,152	2,516,037,434
Retirement benefit obligations	17,881,854	12,920,220	6,027,515	4,432,438	2,493,213
Financial and other liabilities	491,885,420	404,295,518	1,133,942,877	362,964,321	373,410,580
Reinsurance payables	35,715,836	41,432,353	36,820,195	62,262,569	23,979,309
Deferred tax liability	-	-	5,940,989	13,576,697	18,344,385
Bank overdrafts	68,837,192	74,244,436	41,752,688	3,840,303	2,031,622
Total liabilities	4,687,874,823	4,090,686,909	4,391,100,780	3,348,208,480	2,936,296,543
Total equity and liabilities	7,745,114,649	6,720,143,843	6,642,094,913	4,758,249,932	4,021,177,790

FIVE YEAR SUMMARY

	2017	2016	2015	2014	2013
Investor Information					
Return on net assets (%)	25.29	25.02	*20.62	31.92	34.18
Earnings per share (Rs.)	3.87	3.29	3.09	3.00	2.47
Dividend per share - interim (Rs.)	1.75	1.50	2.00	1.50	1.50
Dividend per share - final (Rs.)	0.25	0.25	0.60	2.00	0.75
Net assets per share (Rs.)	15.29	13.15	15.01	23.50	18.08
Last traded price per share as at end of the Year (Rs.)	23.00	19.00	N/A	N/A	N/A
Other Information					
Number of employees	385	330	284	245	210
Number of shares	200,000,000	200,000,000	150,000,000	60,000,000	60,000,000

* Total equity used as the denominator in calculation of return on net assets includes capital raised through the IPO amounting to Rs. 750 million in December 2015.

N/A - Not Applicable

GLOSSARY OF INSURANCE TERMS

A

Accumulation
The total combined risks that could be involved in a single loss event (involving one or more insured perils).

Acquisition Expenses
Direct costs an insurer incurs to 'acquire' the premium such as commissions paid to a broker. These costs are required to be expensed in the same ratio as the premiums to which they relate are earned. The amount to be expensed in future periods recorded as deferred acquisition costs (an asset) in the statement of financial position.

Actuary
A specialist in the mathematics of insurance who calculates rates, reserves, dividends and other statistics.

Administrative Expenses
Costs of an administrative nature including those arising from premium collection, portfolio administration and inward and outward reinsurance, including staff costs and depreciation provisions in respect of property, plant and equipment.

Admissible Assets
Assets that may be included in determining an insurer's statutory solvency position. Such assets are specified under the rules made by the Insurance regulatory commission of Sri Lanka under the Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto.

Agent
An individual who is an independent contractor authorised to carry out transactions on behalf of another, such as the sale of insurance policies. Insurance agents usually earn commission or a fee on the sale of a policy. In Sri Lanka they are tied to a particular insurance company and offer a limited selection of products.

All Risks
A property insurance which covers any accidental loss or damage that is not specifically excluded under the policy.

Annual Basis of Accounting
A basis of accounting for non-life insurance business whereby a result is determined at the end of the accounting period reflecting the profit or loss from providing insurance cover during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

B

Broker
A firm that acts as an intermediary between a buyer and seller, usually charging commission or a fee. Insurance brokers arrange cover on behalf of their clients and represent the interests of the policyholder.

Burglary and Theft
Coverage for property taken or destroyed by breaking and entering the insured's premises, burglary or theft, forgery or counterfeiting, fraud, kidnap and ransom and off-premises exposure.

C

Capital Adequacy Ratio
A risk- based Capital Adequacy Ratio (CAR) measures the relative adequacy of an insurer's capital. The CAR value reports on the adequacy of the Total Available Capital (TAC) in insurance and shareholder's funds collectively, to support the Risk- based Capital Required (RCR).

Casualty Insurance
A form of liability insurance providing coverage for negligent acts and omissions such as workers compensation, errors and omissions, fidelity, crime, glass, boiler and various malpractices coverage.

Cedent
A ceding insurer. A ceding insurer is an insurer that underwrites and issues an original, primary policy to an insured and contractually transfers (cedes) a portion of the risk to a reinsurer.

Cession
A particular risk exposure that is transferred under a reinsurance treaty.

Claim Handling Expenses (CHE)
Expenses incurred while investigating and settling an insurance claim, over and above the cost of the claim itself. Can include legal and other professional fees. Also known as loss adjustment expenses.

Claims Incurred
Claims incurred include paid claims and movements in outstanding claims.

Claims Notification Clause
A clause in an insurance or reinsurance contract which sets out the procedure that the insured or reassured must follow in order to make a claim under the contract. Such clauses frequently provide for prompt notification of claims and events which may give to claims in the future.

Claims Outstanding
The amount provided to cover the estimated ultimate cost of settling claims arising out of events which have occurred by the balance sheet date, including Incurred But Not Reported (IBNR) claims and claims handling expenses, less amounts already paid in respect of those claims.

GLOSSARY OF INSURANCE TERMS

Co-Insurance
An arrangement whereby two or more insurers enter into a single contract with the insured to cover a risk in agreed proportions at a specified premium.

Combined Ratio
The claims and expenses of an insurer for a given period divided by its net earned premium for the same period. It is normally expressed as a percentage with any figure in excess of 100%, signifying a technical underwriting loss.

Commercial Package Policy
A broad package of property and liability coverage for commercial ventures other than those provided insurance through a business owner's policy.

Cover Note
A document issued by an insurer/broker, pending the issue of a policy which confirms the arrangement of cover for the named insured/reassured. Motor insurance cover notes that are issued in Sri Lanka are usually of short duration.

D

Deductible
Loss retention of the reinsured in non-proportional reinsurance. Limit above which the reinsurer becomes liable for losses up to the amount of the agreed cover limit.

Deferred Acquisition Costs
Under the annual basis of accounting, acquisition costs relating to the unexpired period of risk of contracts in force at the balance sheet date which are carried forward from one accounting period to subsequent accounting periods.

E

Earned Premium
The proportion of premium that relates to a used period of cover.

Excess
The amount or proportion of some or all losses arising under an insurance or reinsurance contract that is the insured or reassured must bear. If the loss is less than the amount of the excess then the insured/reassured must meet the cost of it (unless there is other insurance in place to cover the excess). Excesses may either be compulsory or voluntary. An insured who accepts an increased excess in the form of a voluntary excess will usually receive a reduction in premium.

Excess of Loss
A type of reinsurance that covers specified losses incurred by the reassured in excess of a stated amount (the excess) up to a higher amount. An excess of loss reinsurance is a form of non-proportional reinsurance.

Exclusion
A term in an insurance or reinsurance contract that excludes the insurer or reinsurer from liability for specified types of loss. An exclusion may apply throughout a policy or it may be limited to specific sections of it. In certain circumstances, an exclusion may be limited or removed altogether following the payment of an additional premium.

Ex-Gratia Payment
A payment made by underwriters ‘as a favour’ or ‘out of kindness’ without an admission of liability so as to maintain goodwill.

F

Facultative Reinsurance
Reinsurance for a single risk or a defined package of risks. The ceding company (the primary issuer) is not compelled to submit these risks to the reinsurer, but neither is the reinsurer compelled to provide reinsurance protection.

G

General Average
A loss that arises from the reasonable sacrifice at a time of peril of any part of a ship or its cargo for the purpose of preserving the ship and the remainder of its cargo together with any expenditure made for the same purpose. An example of a general average loss would include jettisoning cargo to keep a ship afloat and an example of general average expenditure would include towing a stricken vessel into port. An average adjuster calculates the value of each saved interest to each interested party which is then obliged to contribute towards the general average loss or expenditure proportionately. Subject to the terms of the policy, insurance will generally only apply if the loss was incurred to avoid or in connection with the avoidance of an insured peril.

Gross Written Premium
Original and additional inward premiums, plus any amount in respect of administration fees or policy expenses remitted with a premium but before the deduction of outward reinsurance premiums.

I

Incurred but not Reported (IBNR) Losses
Estimated losses which an insurer or reinsurer, based on its knowledge or experience of underwriting similar contracts, believes have arisen or will arise under one or more contracts of insurance or reinsurance, but which have not been notified to an insurer or reinsurer at the time of their estimation.

Indemnity
The principle according to which a person who has suffered a loss is restored (so far as possible) to the same financial position that he was in immediately prior to the loss, subject in the case of insurance to any contractual limitation as to the amount payable (the loss may be greater than the policy limit). The application of this principle is called indemnification. Most contracts of insurance are contracts of indemnity. Life insurances and personal accident insurances are not contracts of indemnity as the payments due under those contracts for loss of life or bodily injury are not based on the principle of indemnity.

Insurance Contract
A contract under which the insurer accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if specified uncertain future events adversely affect the policyholder.

Insurance Provision
Usually relates to the proportion of net written premiums relating to periods of risk after the accounting date, which are deferred to subsequent accounting periods, as well as the gross claims outstanding.

Insurance Risk
Uncertainty over the likelihood of an insured event occurring, the quantum of the claim or the time when claims payments will fall due.

L

Layer
Section of cover in a non-proportional reinsurance programme in which total coverage is divided into number of consecutive layers. Individual layers may be placed with different reinsurers.

Liability Adequacy Test (LAT)
A test that needs to be performed by an insurer to determine whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts as per the Sri Lanka Accounting Standards.

Loss Adjuster
A person who is appointed to investigate the circumstances of a claim under an insurance policy and to advise on the amount that is payable to the policyholder in order to settle that claim.

Loss Development Factors (LDF)
There is a general upward trend in claim totals after the initial reporting period called 'loss development.' A common method of adjusting losses for the growth in claims and Incurred But Not Reported (IBNR) losses is to apply loss development factors.

N

Net Expense Ratio
Expenses associated with running an insurance business, such as commission, professional fees and other administrative costs, expressed as a percentage of net earned premiums.

P

Premium
The payment a policyholder makes in return for insurance cover. Usually paid annually.

Premium Liability
The amount required to be held in respect of the unexpired period of exposure and considers the unearned premium reserves held and estimate of unexpired risk reserves.

Provision of Risk Margin for Adverse Deviation (PRAD)
The provision of risk margin for adverse deviation that relates to the inherent uncertainty in the central estimate value of both the premium and claim liabilities at a 75% level of sufficiency.

R

Reinsurance
A form of insurance bought by insurance companies to protect themselves from the risk of large losses. One insurer pays to place part of an insured risk or an entire book of business with one or more other insurance companies, known as the reinsurers.

Reinsurance Commission
Commission received or receivable in respect of premiums paid or payable to a reinsurer.

Reinsurance Inwards
The acceptance of risks under a contract of reinsurance.

Reinsurance Outwards
The placing of risks under a contract of reinsurance.

Reinsurance Premium
The premium payable to the reinsurer. Reinsurance is an arrangement whereby one party (the reinsurer), in consideration for a premium, agrees to indemnify another party (the cedent) against part or all of the liability assumed by the cedent under a policy or policies of insurance.

Reinsurance Profit Commission
Commission received or receivable by the cedent (reinsured) from the reinsurer based on the net profit (as defined in the treaty) made by the reinsurer on the reinsurance treaty.

GLOSSARY OF INSURANCE TERMS

Related Party

A related party is a person or an entity that is related to the reporting entity. A person or a close member of that person's family is related to a reporting entity if that person has control, joint control, or significant influence over the entity or is a member of its key management personnel. And also a related party transaction is a transaction that takes place between two parties who hold a pre-existing connection prior to the transaction.

Retention

The amount of any loss or combination of losses that would otherwise be payable under an insurance/reinsurance contract which the insured/reassured must bear itself before the insurer or reinsurer becomes liable to make any payment under that contract. An insured or reassured may be able to insure its retention with another insurer/reinsurer.

Risk Based Capital

Capital to be allocated by a company to cover risks arising from the nature of its business and the markets in which it operates, based on an assessment of those risks and the likelihood of adverse developments.

S

Short-Period Cancellation

When an insurance contract is terminated prior to its expiry date by the insured any return premium that is payable will usually be calculated on a time on risk basis. The result is that the insured will receive less return premium than would be the case if the return premium was calculated on a pro-rata basis.

Solvency Margin

The difference between the value of assets and value of liabilities, required to be maintained by the insurer who carries on non-life (general) insurance business as defined in Solvency Margin (General Insurance) Rules, 2004 and subsequent amendments thereto made under section 26 of the Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments thereto.

Subrogation

The right of an insurer which has paid a claim under a policy to step into the shoes of the insured so as to exercise in his name all rights he might have with regard to the recovery of the loss which was the subject of the relevant claim paid under the policy up to the amount of that paid claim. The insurer's subrogation rights may be qualified in the policy. In the context of insurance, subrogation is a feature of the principle of indemnity and therefore only applies to contracts of indemnity so that it does not apply to life assurance or personal accident policies. It is intended to prevent an insured recovering more than the indemnity he receives under his insurance (where that represents the full amount of his loss) and enables his insurer to recover or reduce its loss.

Sum Insured

The maximum amount that an insurer will pay under a contract of insurance. The expression is usually used in the context of property and life insurance where (subject to the premium cost) the insured determines the amount of cover to be purchased.

Surplus Treaty or Surplus Lines Treaty

A type of reinsurance under which bands of cover known as lines are granted above a given retention which is referred to as the cedant's line. Each line is of equivalent size and the capacity of the treaty is expressed as a multiple of the cedant's line. The reinsurer receives an equivalent proportion of the full risk premium. A surplus treaty is a form of proportional reinsurance.

T

Technical Reserve

This comprises the claims reserve net of reinsurance, unearned premium reserve net of reinsurance and the deferred acquisition expenses.

Total Available Capital

Measures the actual available capital held by an insurer eligible to calculate capital adequacy.

Treaty Reinsurance

A reinsurance contract under which the reassured agrees to offer and the reinsurer agrees to accept all risks of certain size within a defined class.

U

Underinsurance

Insurance where the sum insured is less than the full value at risk and would not be adequate to meet a total loss.

Underwriting

The process of selecting which risks an insurance company can cover and deciding the premiums and terms of acceptance.

Underwriting Profit

The underwriting result generated by transacting non-life insurance business, without taking into account the investment income.

Unearned Premium

The proportion of premium that relates to the unused period of cover.

Unexpired Risk Reserve (URR)

The excess of the estimated value of claims and expenses likely to arise after the end of the financial year from contracts concluded before the date, insofar as their estimated value exceeds the provision for unearned premiums (after deduction of any acquisition costs deferred).

GRI 102 - 06

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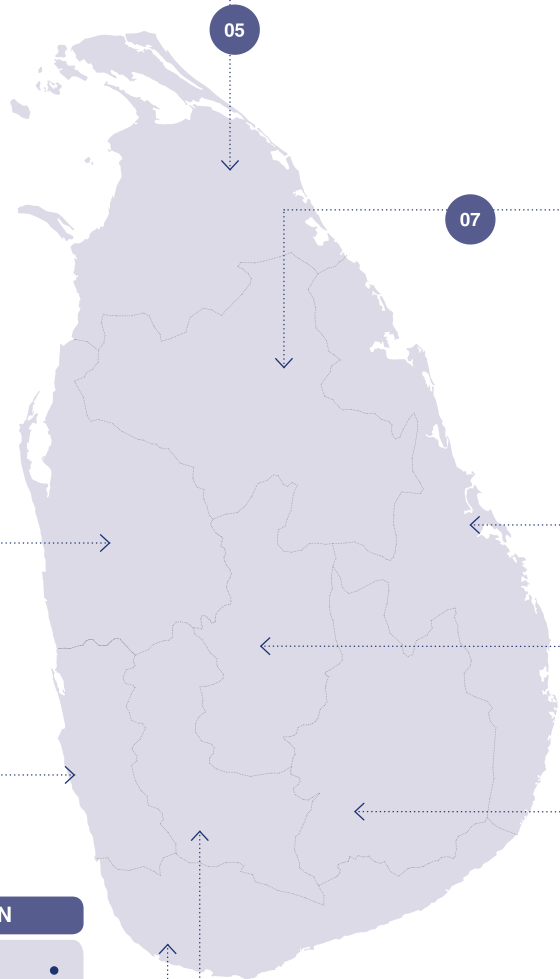

NORTH WESTERN

10

- Chilaw
- Giriulla
- Kuliyapitiya
- Kurunegala
- Melsiripura
- Narammala
- Nattandiya
- Puttalam
- Wariyapola
- Wennappuwa

WESTERN

31

- Negombo
- Aluthgama
- Awissawella
- Battaramulla
- Gampaha
- Grandpass
- Hanwella
- Havelock
- Homagama
- Horana
- Ja-ela
- Kadawatha
- Kaduwela
- Kalutara
- Kelaniya
- Kirindiwela
- Kollupitiya
- Mathugama
- Metropolitant
- Minuwangoda
- Mirigama
- Moratuwa
- Mount Lavinia
- Nittambuwa
- Nugegoda
- Panadura
- Pettah
- Piliyandala
- Union Place
- Ward Place
- Wattala

SOUTHERN

14

- Galle
- Akuressa
- Ambalangoda
- Ambalanthota
- Deniyaya
- Elpitiya
- Hambanthota
- Kamburupitiya
- Matara
- Neluwa
- Tangalle
- Thissamaharama
- Urubokka
- Walasmulla

SABARAGAMUWA

09

- Balangoda
- Embilipitiya
- Godakawela
- Kalawana
- Kegalle
- Mawanella
- Pelmadulla
- Ratnapura
- Warakapola

NORTHERN

05

- Chunnakam
- Jaffna
- Kilinochchi
- Mannar
- Vavuniya

NORTH CENTRAL

07

- Anuradhapura
- Galenbindunuwewa
- Hingurakgoda
- Kekirawa
- Medawachchiya
- Polonnaruwa
- Thambuttegama

EASTERN

05

- Ampara
- Batticaloa
- Kalmunai
- Kanthale
- Trincomalee

CENTRAL

10

- Dambulla
- Digana
- Gampola
- Hatton
- Kandy
- Mahaiyawa
- Matale
- Nawalapitiya
- Nuwara Eliya
- Pilimathalawa

UVA

06

- Badulla
- Bandarawela
- Mahiyanganaya
- Monaragala
- Welimada
- Wellawaya

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Anuradhapura

No. 387, Harischandra Mawatha,
Anuradhapura.
Tel : 025-2226060
Fax : 025-2226060

WINDOW OFFICES AT PEOPLE'S LEASING & FINANCE PLC BRANCH NETWORK

Branch	Address	Telephone Number	Fax Number	Contact Person
Central Province				
Dambulla	No. 513/1, Kadapaha, Anuradhapura Road, Dambulla.	066-2284855	066-2284158	Mr. Kasun Chathuranga
Digana	No. 118/E, Rajawella 2, Rajawella.	081-2376923	081-2376223	Mr. Viraj Thushara
Gampola	No. 131, Nuwara Eliya Road, Gampola.	081-2353030	081-2354154	Mr. Sandaruwan Herath
Hatton	No. 199/B-1, Dimbulla Road, Hatton.	051-2224667	051-2225681	Mr. Kittnasamy Vijadhasan
Kandy	No. 177, D. S. Senanayaka Veediya, Kandy.	081-2205419	081-4471654	Mr. Lahiru Madusanka
Kandy 02	No. 483/B , Wiliyam Gopallawa Mawatha, Kandy.	081-2238051	081-2238054	Mrs. Windya Pinnawala
Kandy (Islamic)	No. 45, Katugasthota Road, Kandy.	081-2205651	081-2205044	Mr. Susantha Herath
Mahaiyawa	No. 431, Katugasthota Road, Kandy.	081-2205947	081-2205937	Mr. Palitha Bandara
Matale	No. 568, Trincomalee Street, Matale.	066-2226400	066-2226402	Mr. Sudesh Liyanage
Nawalapitiya	No. 65, Ambagamuwa Road, Nawalapitiya.	054-2224482	054-2224485	Mr. Isuru Heshan
Nuwara Eliya	No. 36, K. Ramanathan Complex, Park Road, Nuwara Eliya.	052-2224119	052-2224122	Mr. Sameera Janaruwan
Pilimathalawa	No. 174, Kandy Road, Pilimathalawa.	081-2056338	081-2056339	Mr. Chamara Sampath
Eastern Province				
Ampara	No. 149, Kumarasiri Building, Nidahas Mawatha, Ampara.	063-2223395	063-2224850	Mr. Ashen Thiwanka
Batticaloa	No. 26, New Kalmunai Road, Batticaloa.	065-2226537	065-2226754	Mrs. Tharaha Priyandren
Kalmunai	No. 82, Main Street, Kalmunai.	067-2225486	067-2225485	Mr. Mohamed Risky

DISTRIBUTION NETWORK

Branch	Address	Telephone Number	Fax Number	Contact Person
Kanthale	No. 72/1, Agrabodhi Mawatha, Kanthale.	026-2234935	026-2234936	Mr. Gihan Madushanka
Trincomalee	No. 445/1, Dockyard Road, Trincomalee.	026-2225285	026-2225286	Mr. Nadeeth Prithikumara
North Central Province				
Anuradhapura	No. 387, Harischandra Mawatha, Anuradhapura.	025-2224902	025-2234966	Mr. Niluka Sampath
Galenbindunuwewa	No. 87/61, Galenbindunuwewa.	025-2258001	025-2258008	Mr. Nilan Chathuranga
Hingurakgoda	Yamuna Building, Airport Road, Hingurakgoda.	027-2055055	027-2055054	Mr. Nuwan Sanjeewa
Kekirawa	No. 12/A, Thalawa Road, Kekirawa.	025-2264820	025-2264566	Mr. Lakshitha Madusanka
Medawachchiya	No. 17, Mannar Road, Medawachchiya.	025-2245209	025-2245414	Mr. Ashen Mayuranga
Polonnaruwa	No. 407, Main Street, Kaduruwela, Polonnaruwa.	027-2226719	027-2222961	Mr. Chamika Bandara
Thambuttegama	No. 326, Queen Junction, Kurunagala Road, Thambuttegama.	025-2276180	025-2275511	Mr. Kasun Niroshan
Northern Province				
Chunnakam	No. 15, K. K. S. Road, Chunnakam.	021-2241105	021-2242072	Mr. Sivapalan Sivakajan
Jaffna	No. 12, Stanly Road, Jaffna.	021-2228031	021-2229627	Mr. Thuraisingam Thusjendran
Kilinochchi	No. 253, Kandy Road, Kilinochchi.	021-2283869	021-2285308	Mr. Nadarajah Arun
Mannar	No. 109, Hospital Road, Sinnakadi, Mannar.	023-2251342	023-2251370	Mr. Jesuthasan Jenushan
Vavuniya	No. 42 & 46, 1st Cross Street, Vavuniya.	024-2225860	024-2225861	Mr. Balasanmugaraja Thuvarakan
North Western Province				
Chilaw	No. 10, Colombo Road, Chilaw.	032-2224844	032-2224103	Mr. Chamara Ranga
Giriulla	No. 199, Kurunegala Road , Giriulla.	037-2288801	037-2288805	Mr. M. T. Roshan
Kuliyapitiya	No. 88, Kurunegala Road, Kuliyapitiya.	037-2281343	037-2281525	Mr. Lakmal Tharanga
Kurunegala	No. 183B, Colombo Road, Kurunegala.	037-2221582	037-2231505	Mr. Chandima Wanisekara
Melsiripura	No. 237, Dambulla Road, Melsiripura.	037-2250229	037-2250482	Mr. Amal Ranasinghe
Narammala	No. 105, Kuliyapitiya Road, Narammala.	037-2249651	037-2248670	Mr. Neranjan Kaushalya
Nattandiya	No. 26, Rathmalwatta, Nattandiya.	032-2251588	032-2251522	Mr. Hasitha Malshan
Puttalam	No. 106, Kurunegala Road, Puttalam.	032-2266893	032-2266895	Mr. Imsaf Ahamed
Wariyapola	No. 119, Kurunegala Road, Wariyapola.	037-2268480	037-2268311	Mr. Madawa Chathuranga
Wennappuwa	No. 327 1/1, Colombo Road, Wennappuwa.	031-2245663	031-2245662	Mr. Gayan Kavinda

Branch	Address	Telephone Number	Fax Number	Contact Person
Sabaragamuwa Province				
Balangoda	No. 118A, Barns Rathwaththa Mawatha, Balangoda.	045-2289200	045-2289502	Mr. Chathuranga Hemasiri
Embilipitiya	No. 122, New Town Road, Embilipitiya.	047-2261387	047-2261972	Mr. Asha Tharanga
Godakawela	No. 52, Main Street, Godakawela.	045-2240607	045-2240604	Mr. Buddika Priyanath
Kalawana	No. 43, Mathugama Road, Kalawana.	045-2256001	045-2256003	Mr. Chamindu Chathuranga
Kegalle	No. 345, Main Street, Kegalle.	035-2230101	035-2230195	Mr. Gayashan Tharuka
Mawanella	No. 37, New Kandy Road, Mawanella.	035-2249364	035-2249366	Mr. Roshan Madusanka
Pelmadulla	No. 118/1, Rathnapura Road, Pelmadulla.	045-2276081	045-2276083	Mr. Pushpika Sampath
Ratnapura	No. 244, Moragahayata, Colombo Road, Rathnapura.	045-2224755	045-2230678	Mr. Gayan Ravinatha
Warakapola	No. 177, Kandy Road, Warakapola.	035-2268124	035-2268264	Mr. Hashan Gayantha
Southern Province				
Akuressa	No. 77, Matara Road, Akuressa.	041-2284711	041-2283925	Mr. Dinuja Dilshan
Ambalangoda	No. 105A, New Galle Road, Ambalangoda.	091-2255646	091-2255649	Mr. Dilan Suresh
Ambalanthota	No. 32 1/1, Tissa Road, Ambalanthota.	047-2225265	047-2225266	Mr. Amila Isanka
Deniyaya	No. 150, Akuressa Road, Deniyaya.	041-2273341	041-2273713	Mr. Madhura Chathuranga
Elpitiya	No. 44, Ambalangoda Road, Elpitiya.	091-2290817	091-2291847	Mr. Vihan Devith
Hambanthota	No. 102K, Main Street , Hambanthota.	047-2221276	047-2221277	Mr. Supun Tharuka
Kamburupitiya	No. 217, Matara Road, Kamburupitiya.	041-2294620	041-2294622	Mr. Sachith Buddhika
Matara	No. 45/A, Anagarika Dharmapala Mawatha, Matara.	041-2220129	041-2225985	Mr. Thilina Kalhara
Neluwa	No. 08, Dellawa Road, Neluwa.	091-3094692	091-4943766	Mr. Lahiru Kavinda
Tangalle	No. 138A, Matara Road, Tangalle.	047-2242501	047-2242503	Mr. Ashan Dinuka
Thissamaharama	No. 171, Main Street, Thissamaharamaya.	047-2239671	047-2239673	Mr. Nimesh Indika
Urubokka	No. 466D, Main Street, Urubokka.	041-2272175	041-2272176	Mr. Dinesh Madushanka
Walasmulla	No. 74, Beliaththa Road, Walasmulla.	047-2245651	047-2245654	Mr. Pathum Madushanka
Uva Province				
Badulla	No. 33/9, Modern Complex, Cocowatta Road, Badulla.	055-2223903	055-2223777	Mr. Aruna Kumara
Bandarawela	No. 35/2D, Welimada Road, Bandarawela.	057-2221146	057-2221149	Mr. Lahiru Prasad
Mahiyanganaya	No. 03, Sri Jayasanka Building, Kandy Road, Mahiyanganaya.	055-2257738	055-2257737	Mr. Thushara Namal

GRI 102 - 06

DISTRIBUTION NETWORK

Branch	Address	Telephone Number	Fax Number	Contact Person
Monaragala	No. 32, Pothuvil Road, Monaragala.	055-2277485	055-2277486	Mr. Oshan Ishara
Welimada	No. 11A, Boralanda Road, Welimada.	057-2244994	057-2244995	Mr. Chanaka Samantha
Wellawaya	No. 128, Monaragala Road, Wellawaya.	055-2274035	055-2274025	Mr. Manahara Prasad
Western Province				
Aluthgama	No. 415, Galle Road, Aluthgama.	034-2271630	034-2271633	Mr. Lukshan Cooray
Awissawella	No. 15, Kudagama Road, Awissawella.	036-2233791	036-2233793	Mr. Lahiru Suranjith
Battaramulla	No. 261, Main Street, Battaramulla.	011-2886818	011-2886824	Mr. Mithila Dhananjaya
Gampaha	No. 65, Yakkala Road, Gampaha.	033-2233892	033-2232733	Mr. Harshan Fernando
GrandPass	No. 507, Sirimavo Bandaranayake Mawatha, Colombo 14.	011-2340013	011-2340025	Mr. Prabudda Rangana
Hanwella	No. 132/3, Colombo Road, Hanwella.	036-2251330	036-2251333	Mr. Gayan Madushanka
Havelock	No. 07, Havelock Road, Colombo 05.	011-2592432	011-2592445	Mr. Roshantha Perera
Homagama	No. 121/3, Highlevel Road, Homagama.	011-2098141	011-2098144	Mr. Dimuthu Sandaruwan
Horana	No. 101, Rathnapura Road, Horana.	034-2267701	034-2267706	Mr. Sahanjaya Gunathilaka
Ja-Ela	No. 112/A, Negambo Road, Ja-Ela.	011-2228078	011-2228076	Mr. Vishwa Hasitha
Kadawatha	No. 657A, Kandy Road, Bandarawatta, Kadawatha.	011-2926909	011-2926911	Mr. Sahan Samankula
Kaduwela	No. 349/A/1, New Kandy Road, Kothalawala, Kaduwela.	011-2548578	011-2548590	Mr. Ravindu Rukshan
Kalutara	No. 314/1/1, Main Street, Kaluthara South, Kalutara.	034-2235337	034-2235800	Mr. Gayan Kalhara
Kelaniya	No. 965, Kandy Road, Wedamulla, Kelaniya.	011-2914112	011-2908484	Mr. Yohan Uditha
Kirindiwela	No. 153, Sujaya Building, Gampaha Road, Kirindiwela.	033-2247581	033-2247580	Mr. Charundya Senadheera
Kollupitiya	No. 385, Galle Road, Colombo 03.	011-2376476	011-2376477	Mr. Nisal Rashmal
Mathugama	No. 4/29, Agalawaththa Road, Mathugama.	034-2249230	034-2248882	Mr. Vihandu Deemantha
Metropolitant	No. 67, Sir Chiththampalam A Gardiner Mawatha, Colombo 02.	011-2481000	011-2481123	Mr. Sahan Nidarshana
Minuwangoda	No. 67B, Colombo Road, Minuwangoda.	011-2298641	011-2298655	Mr. Chathuranga Lahiru
Mirigama	No. 69/A, Giriulla Road, Mirigama.	033-2275528	033-2275521	Mr. Chanaka Pradeep
Moratuwa	No. 553/1/1, Galle Road, Rawathawaththa, Moratuwa.	011-2648474	011-2648472	Mr. Tharanga Madumal
Mount Lavinia	No. 271, Galle Road, Mount Lavinia.	011-2720720	011-2725904	Mr. Gregon Binoy

Branch	Address	Telephone Number	Fax Number	Contact Person
Negombo	No. 29/1, Colombo Road, Negombo.	031-2227775	031-2224882	Mr. Sahan Lakith
Nittambuwa	No. 83, Batadole Walauwa Junction, Kandy Road, Nittambuwa.	033-2298110	033-2298112	Mr. Janith Dissanayake
Nugegoda	No. 290, Highlevel Road, Nugegoda.	011-2813997	011-2813991	Mr. Sachithra Ferdinando
Panadura	No. 482, Arther V. Dias Mawatha, Panadura.	038-2237331	038-2237332	Mr. Manju Lakruwan
Pettah	No. 319, Main Street, Colombo 11.	011-2437708	011-2473549	Mr. Sajeewan Balakrishnan
Piliyandala	No. 71, Moratuwa Road, Piliyandala.	011-2609835	011-2609838	Mr. Charith Yasantha
Threewheel Unit	No. 67, Sir Chiththampalam A Gardiner Mawatha, Colombo 02	011-2481000	011-2481128	Mr. Gavrika Nuwan
Union Place - Alsafa	No. 167, Union Place, Colombo 02.	011-2377877	011-2304463	Mr. Mohomad Sharaff
Ward Place	No. 24/A, Ward Place, Colombo 07.	011-2678692	011-2678690	Mr. Sandaruwan Wijayathilake
Wattala	No. 540A, Negombo Road, Wattala.	011-2948441	011-2947411	Mr. Janith Randika

GRI 102 - 01, 03, 05

CORPORATE INFORMATION

NAME OF COMPANY
People's Insurance PLC
(Subsidiary of People's Leasing & Finance PLC)

LEGAL FORM
Public Limited Liability Company
(Incorporated and domiciled in Sri Lanka)

DATE OF INCORPORATION
22nd July 2009

COMPANY REGISTRATION NUMBER
PB 3754 PQ

STOCK EXCHANGE LISTING
Ordinary shares of the company are listed on the Main Board of the Colombo Stock Exchange

TAX PAYER IDENTIFICATION NUMBER (TIN)
134037547

ACCOUNTING YEAR-END
31st December

REGISTERED OFFICE
People's Insurance PLC
No. 07,
Havelock Road,
Colombo 05.

CORPORATE AND PRINCIPLE PLACE OF BUSINESS
No. 07,
Havelock Road,
Colombo 05.
Telephone : +94 11 2206406
Fax : +94 11 2206436

BOARD OF DIRECTORS
Mr. Jehan P. Amaratunga – Chairman
Mr. N. Vasantha Kumar
Mr. Lakshman Abeysekera
Mr. W. M. Abeyrathna Bandara
Mr. N. P. Karunarathne
Mr. S. P. K. Gunarathne
Mr. A. S. Ibrahim

COMPANY SECRETARY
Mr. Rohan Pathirage

REGISTRARS
SSP Corporate Services (Pvt) Ltd
No. 101,
Inner Flower Road,
Colombo 03.

AUDITORS
Messrs. Ernst and Young
(Chartered Accountants)
No. 201,
De Seram Place,
Colombo 10.

CONSULTANT ACTUARIES
NMG Financial Services Consulting Pte Limited
30, Hill Street,
#03-02A,
Singapore.

BANKERS
People's Bank
Nations Trust Bank PLC
Sampath Bank PLC

REINSURANCE PANEL
Asia Capital Reinsurance Group Pte Ltd.
Everest Reinsurance Company
First Capital Insurance Ltd.
General Insurance Corporation of India
Labuan Reinsurance (L) Ltd.
Lloyd's
Malaysian Reinsurance Berhad
National Insurance Trust Fund
MAPFRE Asistencia
Swiss Reinsurance Company Ltd.
Trust International Insurance & Reinsurance Company B. S. C
XL Insurance Co Ltd.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the ninth (9th) Annual General Meeting of People's Insurance PLC will be held on the 29th of March 2018 at 3.30 p.m. at Block 02, Lavender Room, Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07, Sri Lanka for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements of the Company for the year ended 31st December 2017 together with the report of the Auditors thereon.
2. To declare a final dividend of Cents Twenty Five (Rs. 0.25) per Ordinary Share as recommended by the Board of Directors.
3. To re-elect as a Director Mr. Jehan Prasanna Amaratunga, who retires in terms of Article 27 (8) of the Articles of Association.
4. To re-elect as a Director Mr. Sajeewa Pradeep Kumara Gunarathne, who retires in terms of Article 27 (8) of the Articles of Association.
5. To re-elect as a Director Mr. Ahamed Sabry Ibrahim, 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.
6. 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.
7. To authorise the Board of Directors to determine contributions to charities and other donations for the ensuing financial year.

By order of the Board,

Rohan Pathirage
Company Secretary

Colombo
15 February 2018

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.

NOTES

FORM OF PROXY

I/we……… of

……....................... being a member/s of People's Insurance

PLC hereby appoint Mr./Mrs./Miss ....……………………...……………………………………..…………………………....

(holder of N.I.C. No. …………………...…….) of …………………….........................……….…………………. failing him/her

1. J. P. Amaratunga failing him
2. N. V. Kumar failing him
3. L. Abeysekera failing him
4. W. M. A. Bandara failing him
5. N. P. Karunarathne failing him
6. S. P. K. Gunarathne failing him
7. A. S. Ibrahim failing him

as my/our proxy to represent me/us and vote on my/our behalf at the ninth (9th) Annual General Meeting of the Company to be held 29th March 2018 at 3.30 p.m. at Block 02, Lavender Room, Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07, Sri Lanka and at any adjournment thereof and at every poll which may be taken in consequence thereof to vote.

Please indicate your preference by placing a 'X' against the Resolution No:

		For	Against
1	To receive and consider the Annual Report of the Board of Directors together with the financial statements of the Company for the year ended 31st December 2017 together with the report of the Auditors thereon.		
2	To declare a final dividend of Cents Twenty Five (Rs. 0.25) per Ordinary Share as recommended by the Board of Directors.		
3	To re-elect as a Director Mr. Jehan Prasanna Amaratunga, who retires in terms of Article 27 (8) of the Articles of Association		
4	To re-elect as a Director Mr. Sajeewa Pradeep Kumara Gunarathne, who retires in terms of Article 27 (8) of the Articles of Association.		
5	To re-elect as a Director Mr. Ahamed Sabry Ibrahim, 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.		
6	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.		
7	To authorise the Board of Directors to determine contributions to charities and other donations for the ensuing financial year.		

Signed this..day of..2018

....
Signature Shareholder's N.I.C./P. P./Co. Reg. No.

Notes:
1. Proxy need not be a member of the Company.
2. Instructions as to completion of this Form of Proxy are given overleaf.

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION

1. As provided for in Article 19(3) of the Articles of Association of the Company the instrument appointing a proxy should be in writing.
2. The full name and address of the shareholder appointing the proxy should be legibly entered in the Form of Proxy and duly signed and dated.
3. The Proxy shall –
   a. In case of an individual be signed by the shareholder or by his attorney, and if signed by an attorney, a notarially certified copy of the Power of Attorney should be attached to the complete proxy if it has not already been registered with the company.
   b. In case of a company or corporate body, either be under its Common Seal or signed by its attorney or by an officer on behalf of that company or corporate body in accordance with the Articles of Association or the Constitution of that company or corporate body.
   c. In the case of joint-holder, be signed by the joint-holder whose name appears first in the Register of Members.
4. The completed form of Proxy and the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that Power of Attorney or other authority must be deposited at the office of the Registrars to the Company, SSP Corporate Services (Private) Limited No.101, Inner Flower Road, Colombo 3 not less than forty eight (48) hours before the appointed for the holding of the meeting.
5. Every alteration or addition to the Proxy must be duly authenticated by the full signature of the shareholders, signing the Proxy.
6. An extract of Articles 15,18 and 22 of the Articles of Association of the Company which deal with meetings of shareholders is produced below for the information of the Shareholders,

" 15. Method of Holding Meetings

A meeting of shareholders (including a meeting where it is intended to propose a resolution as a special resolution) may be held by a number of shareholders who constitute a quorum, being assembled together at the place, date and time appointed for the meeting.

18. Voting

1. Voting at a meeting of shareholders held under Article 15 above shall, unless a poll is demanded, be by a show of hands.
2. A declaration by the chairperson of the meeting that a resolution is carried by the requisite majority is conclusive evidence of that fact, unless a poll is demanded in accordance with paragraph (3) of this Article.
3. At a meeting of shareholders, a poll may be demanded by –
   a) the chairperson; or
   b) not less than five (5) shareholders having the right to vote at the meeting; or
   c) a shareholder or shareholders representing not less than ten per centum of the total voting rights of all shareholders having the right to vote at the meeting.
4. A poll may be demanded either before or after the vote is taken on a resolution, however the demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.
5. If a poll is taken, votes shall be counted according to the votes attached to the shares of each shareholder present and voting.
6. The chairperson of a shareholders' meeting is not entitled to a casting vote.

22. Votes of Joint Holders

Where two or more persons are registered as the holder of a share, the vote of the person named first in the share register and voting on a matter shall be accepted to the exclusion of the votes of the other joint holders. Where there are several executors or administrators of a deceased shareholder in whose sole name any shares stand, any one of such executors or administrators may vote in respect of such shares unless any other of such executors or administrators is present at the meeting at which such a vote is tendered and objects to the vote."

INVESTOR FEEDBACK FORM

We welcome your valuable feedback on this Integrated Annual Report.

To request information or submit a comment/query to the Company, please complete and return this page to,

Head of Finance,
People's Insurance PLC,
No. 07, Havelock Road,
Colombo 05,
Sri Lanka.

Fax : 0112206418
E-mail : nilushan@plc.lk

Name : ....

....

Mailing address : ....

....

Contact numbers - Tel. : ....

- Fax : ....

E-mail address : ....

Name of company (If applicable) : ....

Designation (If applicable) : ....

Company address (If applicable) : ....

Comments/queries : ....

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....

....

....

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