

29 April 2020

Renuke Wijayawardhena
Chief Regulatory Officer
Colombo Stock Exchange
World Trade Centre
Echelon Square
Colombo 1

Dear Sir

Union Assurance PLC – Disclosure regarding impact of COVID-19

We write to inform you of the status of operations and provide insight into how Union Assurance PLC (UA) is navigating through the ongoing COVID-19 pandemic. UA has taken all recommended measures to ensure the safety and support of its employees, consumers and all its other stakeholders during this unprecedented challenging time and continues to adhere to the guidelines issued by the Government and health authorities.

Macro environment and operating conditions:

Following the diagnosis of COVID-19 patients in Sri Lanka, from mid-March 2020 onwards, the Government declared a state of “work from home” for the general public, post which island-wide curfew was imposed on 20 March 2020, with restrictions waived only for services classified as ‘essential’. Insurance sector was classified as an essential service by the government.

After a period of a month, the imposition of curfew has been eased in many parts of the country while the Colombo district and a few other districts continue to be under curfew as they have been identified as high-risk zones. The most recent release by the Government state that curfew restrictions in these remaining districts maybe eased off by the 4th of May 2020.

Given the stringent lockdown measures, UA has actioned its business continuity plan to ensure that activities were maintained to the extent possible. UA has evaluated all guidelines issued by the Government as well as international best practices and have developed health and safety guidelines to ensure suitable working arrangements and safe conditions for our employees, field staff, customers and other stakeholders.

Business update and outlook:

Whilst the impact on the financial year 2020 cannot be ascertained at this point of time given the uncertain and evolving situation, UA expects the impact on performance in the second and third quarter to be material.

In order to evaluate the financial position of the business, particularly over the next 12 months, life business was stress-tested under multiple operating scenarios, to ascertain the impact on the ability to sustain its operations with its cash reserves and banking facilities in place, if required. The company is satisfied of the ability of the business to manage its operations even under an extreme stress-tested scenario.

In addition, with a view to focusing on cash management and liquidity, UA has adopted a weekly dashboard which cover financial and non-financial KPIs and revised targets, including monitoring of weekly cash targets and spend control initiatives including a freeze on all non-essential capital expenditure and stringent expense control measures, including a reduction in executive staff remuneration ranging from 5 to 60 per cent across the company till June 2020, subject to further review depending on the macro and operating environment. While the forecasted liquidity position is comfortable, the company is of the view that undertaking proactive steps ahead of further stresses will enable maintaining of a stronger balance sheet and facilitate a smoother and faster recovery trajectory.

The following outlines the current operating position and high-level impact to the business;

The Insurance business has witnessed a disruption to underwriting of new business and collections. The Insurance regulator announced an extension for payment of renewal premiums which has impacted collections in the short term. It is expected that business volumes will improve with the lifting of the curfew, while there will be a renewed focus on the transformation to digital platforms and other online methods of carrying out the business, particularly with regard to improving renewals and pursuing new policies.

Outlook:

Given the volatile and evolving landscape, UA will continue to monitor the impacts to its operations and proactively take measures to ensure business continues as seamlessly as possible. At this moment, the focus is on transitioning to back-to-work arrangements ensuring all health and safety protocols are in place. While the company has a strong cash position and availability of banking facilities, if required, we will continue to focus on ensuring we preserve this position and obtain banking lines ahead of any future requirements.

Any further material business decisions will be notified to shareholders, as relevant.

Yours faithfully



Jude Gomes
Chief Executive Officer