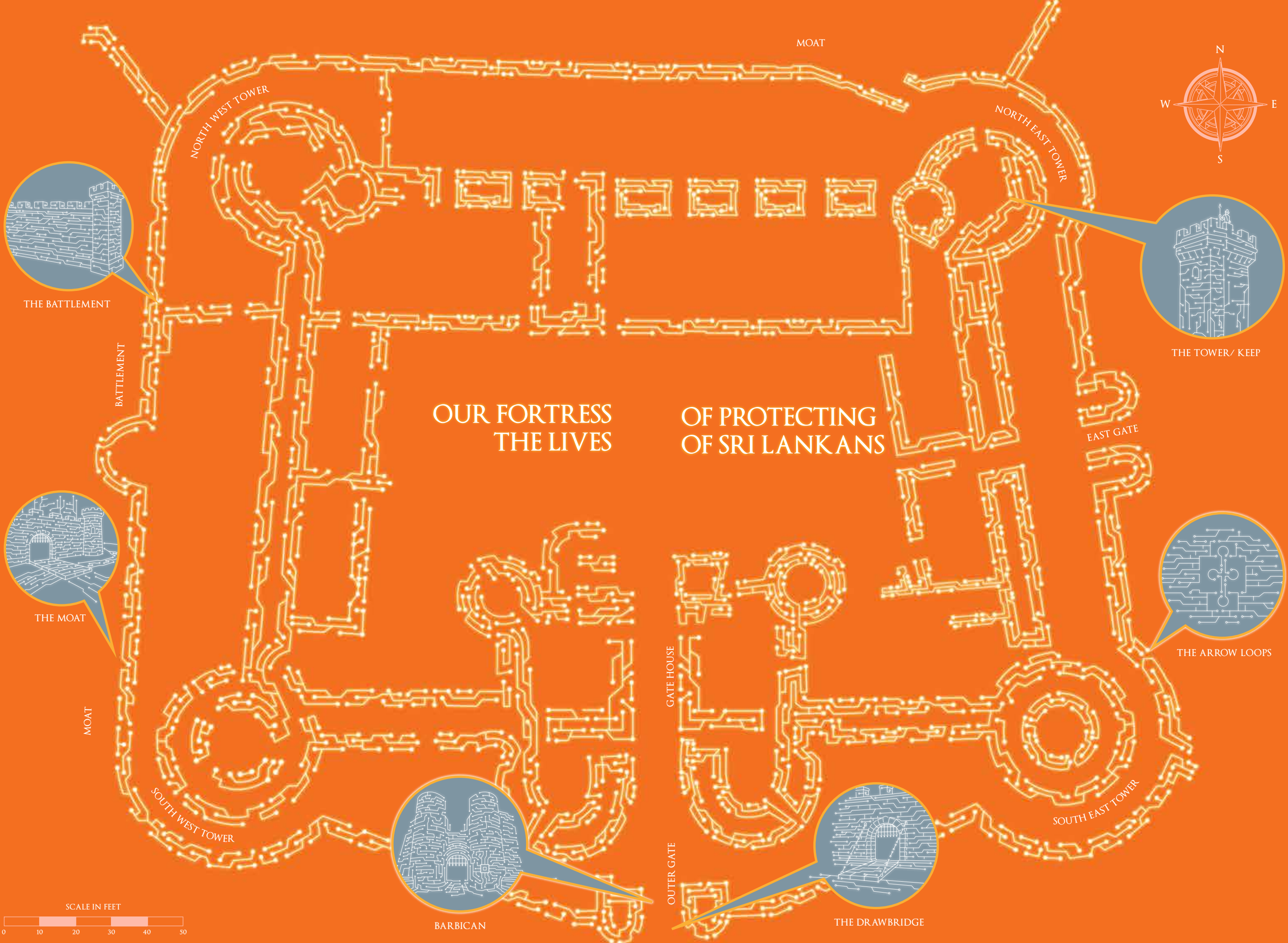




ARCHITECTS OF PROTECTION

Union Assurance PLC
Annual Report 2023





Our report, with additional updated
information is available on our website



www.unionassurance.com

ARCHITECTS OF PROTECTION

With a legacy of service spanning decades, Union Assurance stands as a force in transformative insurance solutions; committed to protecting lives and enhancing the well-being of every Sri Lankan. In the face of adversity, we have wholeheartedly embraced the future alongside our stakeholders, perceiving challenges not as obstacles but as opportunities to innovate and adapt.

Our commitment to our people is deeply rooted in the Company's core pillars of well-being – constructing a comprehensive safeguard over the thousands of stakeholders we serve. This report illustrates Union Assurance's positive and lasting impact as a result of our commitment to enhanced customer experience, innovative technologies and the Company's Environmental, Social, and Governance (ESG) principles.

As we aspire to be visionary architects committed to fostering lives and building the futures of our community, Union Assurance is steadfast in the belief that our people will always remain the cornerstone of our success.

ARCHITECTS OF PROTECTION



**Largest
Life Insurer**

13.5%
Policyholder Dividend

22%
Shareholder Dividend Yield



**Safeguarding the Lives
of Citizens**

289,000+
Lives Insured

18%

Growth in Regular New
Business Premium

#1

Bancassurance
Provider

283

Million Dollar Round Table
(MDRT) Qualifiers



**Differentiated with
Innovation & Automation**

22,000+
Clicklife App Users

53%

StraightThrough Processing
(STP)

94%

One Day Claim
Settlement Ratio

100%

Paperless Insurance Proposal
Submission



**Strong Performance in
the face of Adversities**

13%

Growth in Gross
Written Premium

45%

Growth in Investment
Income

42%

Growth in
Profit from Operations

291%

Capital Adequacy
Ratio (CAR)

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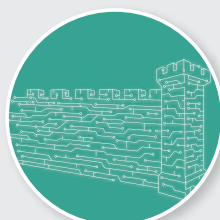
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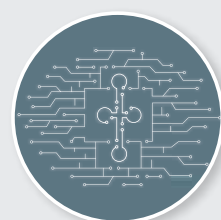
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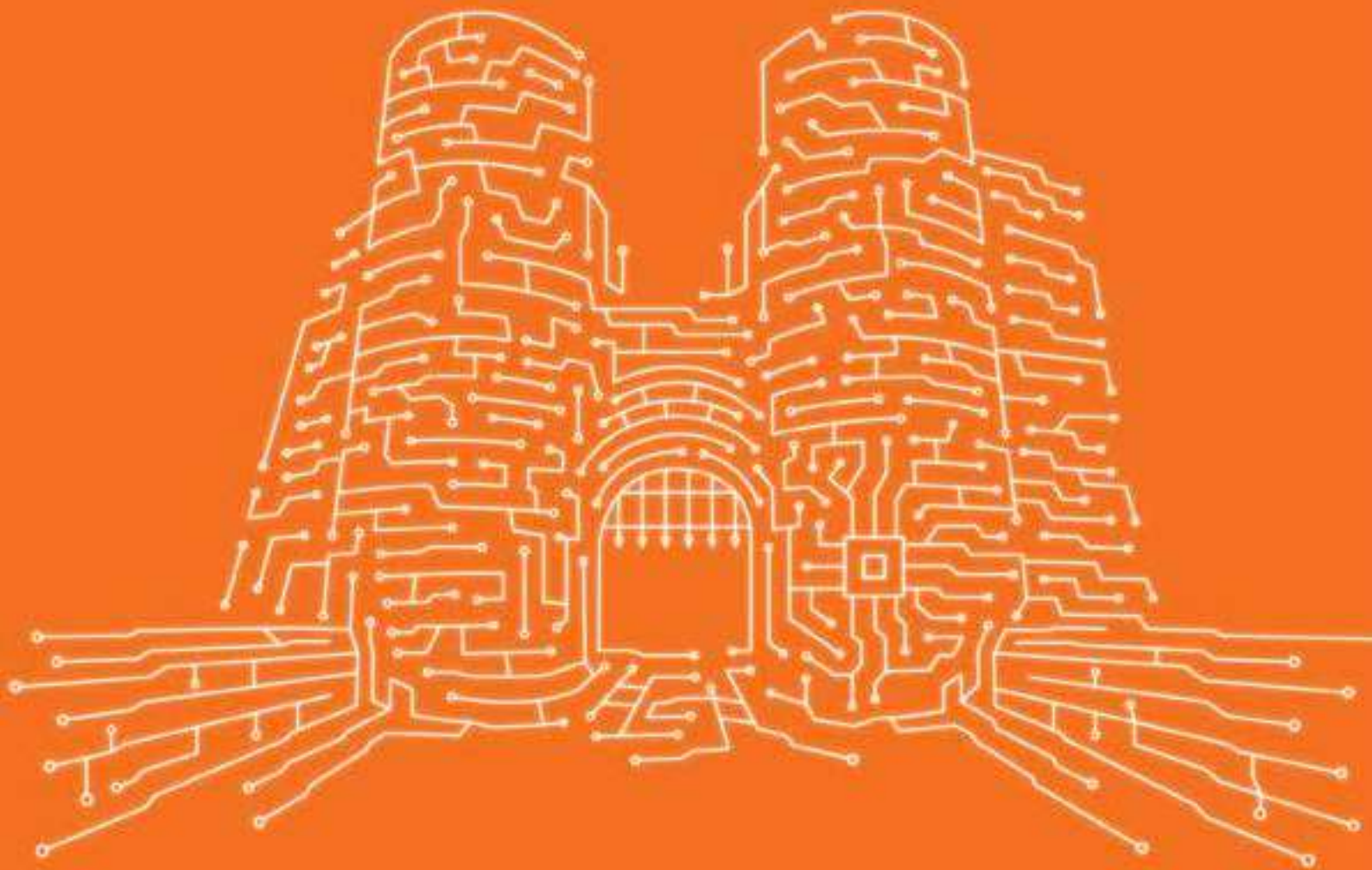
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BARBICAN

Like the unwavering Barbican that displays a determined confidence in the face of adversity, Union Assurance PLC has put its best foot forward this past year, to protect the Company's customers', employees', partners' interests while fulfilling its ESG principles.

The following pages present an account of our efforts throughout this Financial Year to protect our stakeholders.



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ABOUT THE REPORT

We are pleased to present our valued Stakeholders with the Integrated Annual Report of Union Assurance PLC (“the Company”) for the Financial Year from 01 January 2023 to 31 December 2023. The Report seeks to effectively communicate the Company’s efforts at creating value for our Stakeholders, journeying through these events that severely impacted the country’s fragile economy and the Company’s resilience in forging ahead to achieve its goals despite the contrary economic headwinds.

We also share our view of the future and on many pages have boldly declared future-focused positive statements, being fully aware that these could be impacted by the economic circumstances that we will encounter in the coming year.



Boundary and Scope

The reporting boundary covers the risks and opportunities arising from managing business strategy and diverse stakeholders that give rise to complex business opportunities and relationships, and their efficient management while focusing on material matters that finally define our success. These are:



Our Approach to Materiality

The report’s content is guided by our material themes and matters which have the potential to significantly affect our capacity to generate or maintain value for our stakeholders over the short, medium, and the long terms (less than a year, one to three years, and three years and beyond). Materiality also helps us uncover issues that, if not handled well, could detract from value. The nineteen material themes were identified through a materiality assessment procedure. The material topics are not addressed by the Board as a separate agenda item however the individual material topics are discussed by the Board and Executive Committee at their respective meetings.

Navigating Our Report



Financial Capital



Manufactured Capital



Human Capital



Natural Capital



Social and Relationship Capital



Intellectual Capital

Indicates where further information can be found in this report

Indicates where further information can be found on our website

Forward Looking Statement

This report may contain certain forward-looking statements about the performance and prospects of the Company, targeting its future. These statements should not be interpreted as promises of future performance or guaranteed results as they could be impacted by emergent risks, unforeseen events in the future, volatility of economic, societal and political conditions and other significant variables that are external to the Company’s control and cannot be predicted. Actual results could significantly deviate from our current expectations, within the context of these variables.

Reporting Framework

The Regulation	Internal Assurance	External Assurance
Financial Reporting, Governance, Risk Management and Operations		
Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by the Institute of Chartered Accountants of Sri Lanka (ICASL).	Reporting to Board Audit and Compliance Committee (BACC)	An Independent Auditor confirming the accuracy of the Annual Financial Statements Refer pages 195 - 198
Listing Requirements of the Colombo Stock Exchange and subsequent revisions to date.	Internal Audit	
Code of Best Practice on Corporate Governance issued jointly by ICASL and the Securities and Exchange Commission of Sri Lanka (SEC).	The internal control mechanisms	An Independent Actuary confirming the Life Fund Valuation and Liability Adequacy Refer page 193
Corporate Governance Framework for insurers issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL).	Strong governance framework and compliance with regulatory guidelines	
Laws and regulations of the Companies Act No. 7 of 2007.		
Insurance Industry Act No. 43 of 2000 and subsequent amendments to date.		
Guidelines, Determinations, Circulations, Rules and Regulations issued by the IRCSL.		
Integrated Reporting		
International<IR> Framework of the International Integrated Reporting Council (IIRC)		An Independent Assurance engagement on Integrated Reporting Refer pages 304 - 305
The guidelines for presentation of Annual Reports 2022 issued by the ICASL		
A Preparer's Guide to Integrated Corporate Reporting - issued by the ICASL		
Handbook on Integrated Corporate Reporting issued by the ICASL.		
Sustainability Reporting		
Global Reporting Initiative (GRI) Sustainability Reporting Standards	Sustainability reporting assessment by the group Sustainability Reporting System	An Independent Assurance engagement for specific financial and non-financial sustainability indicators Refer pages 302 - 303
United Nations Sustainable Development Goals		
Environmental, Social and Governance (ESG) disclosures through the framework and operations in conformity with the Principles of the United Nations Global Compact	Carbon footprint assessment	
Disclosure on Gender Parity Reporting issued by the ICASL.		
Sustainability Accounting Standards Board (SASB) Standards		

Approval by the Board

The Board acknowledges its responsibility of confirming the integrity of this integrated report. The Board has critically evaluated the assurances obtained and is satisfied that there is an adequate and effective control environment to ensure the completeness of the information. The Board is also of the view that, to the best of its knowledge and belief, the integrated report addresses all issues material to the stakeholder decision making as explained by the Company value creation process. This report was approved by the Board of Directors of Union Assurance PLC on 29 February 2024.

K N J Balendra
Chairperson

S Rajendra
Director

Keells Consultants (Pvt) Ltd
Secretaries

29 February 2024



Your feedback on our integrated Report is valued and welcome. Please direct them to :

Asha Perera

Chief Financial Officer,
Union Assurance PLC,
No 20, St. Michael's Road,
Colombo 03
Sri Lanka

ABOUT US

Our Company

Union Assurance PLC ("the Company"), listed on the Colombo Stock Exchange and 90% owned by John Keells Holdings PLC, has been in the business of protecting lives since 1987, through a well-crafted portfolio of life insurance products to our communities. Living up to its motto "Your Life, Our Strength", the Company is a premier life protection provider in a strongly competitive and hard-sell life insurance market.

Empowering Citizens

Empowering people being the core of what we do, we position our brand to 'protect lifestyles', allowing full enjoyment of life to our valued customers. We 'protect relationships' by insuring the lives of loved ones against any unforeseeable circumstances that limit or curtail life. Building blocks of dreams and goals for future prosperity are safeguarded by our proposition of 'protecting ambitions'. As such, under the brand umbrella of "Your Life, Our Strength", the Company is geared towards protecting the fundamentally important aspects of our customers and that is what we have on offer for those who choose us as their life insurance provider.



Strategic Invasion with Transformative Technology

We are a Company that invests heavily and innovates continuously in technology and digital transformation. Harnessing the power of the digital world and AI, the Company executed a hive of activities through the year, to provide finger-tip solutions to our customers and other stakeholders. We capture this comprehensively in the section on Intellectual Capital, which documents in detail our efforts at being a Company with state-of-the-art technology for customer ease.



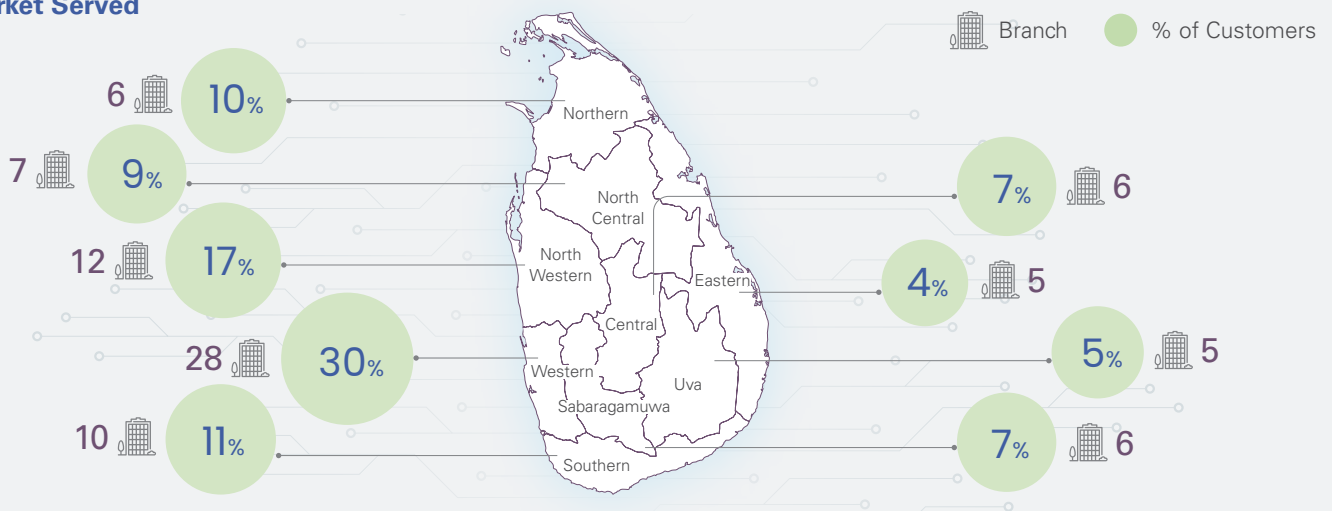
Defending with A Brand Built on Strong Values

With the strong brand of its parent Company John Keells Holdings, recognised for its tenacity in business in navigating many an economic turbulence in the face of global and domestic uncertainty and its significant contribution to the country's economy through it all, Union Assurance PLC is well placed to be a strong and tenacious contender in a stiffly competed insurance market in Sri Lanka.

Our Purpose, Vision, Mission, Brand Promise and the Values are positioned to deliver value to our stakeholders and derive value to ensure we operate an ethical business based on good governance with a sustainable future.

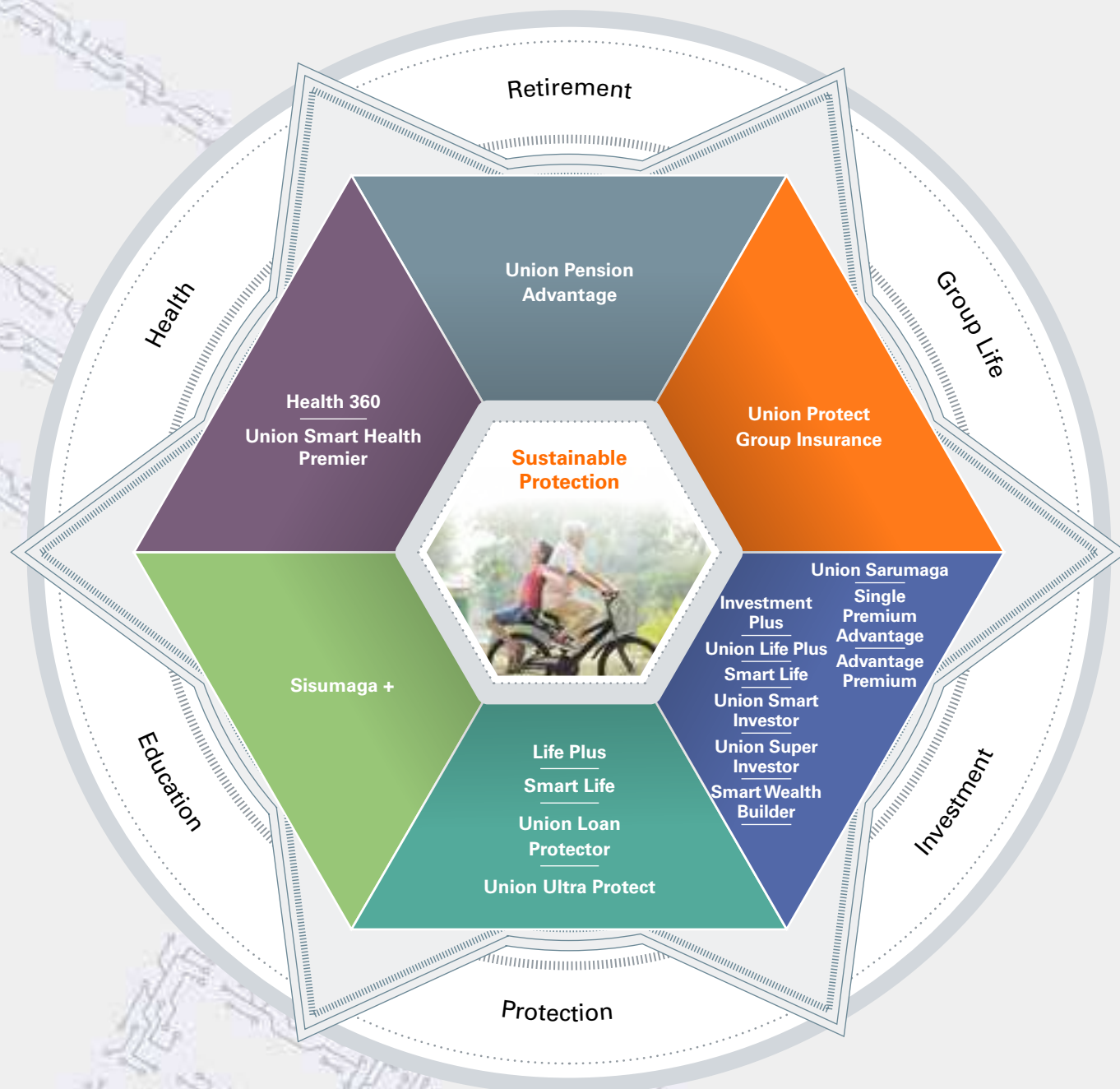


Market Served



PRODUCT OFFERING

The Company continues to cater to the latent and emergent needs of our customers, while pursuing pipeline business to grow our customer base. A diversified and competitive product portfolio supports the efforts of our sales teams as it offers a tailor-made product at the point of need, to the customer.

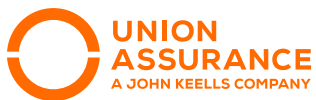


GROUP STRUCTURE



John Keells Holdings PLC (JKH)

One of the largest listed conglomerates on the Colombo Stock Exchange, with business interests primarily in Leisure, Transportation, Retail, Consumer Foods, Property, Financial Services, Plantation Services and IT & Innovation.



22%

Union Assurance PLC

UA is a primary brand under the financial services sector of John Keells Group.



Fairfirst Insurance Limited

Fairfirst is the amalgamated entity of the former Union Assurance General Limited and the former Asian Alliance General Insurance Limited. Fairfirst is in Non-Life insurance business.

John Keells Industry Groups



Leisure



Transportation



Retail



Consumer Foods



Property



Financial Services



IT & Innovation



Plantation Services



ORGANIZATIONAL STRUCTURE

The Company is managed by a highly skilled and dedicated team of professionals with defined roles and responsibilities and clear lines of accountability.

Board of Directors



Krishan Balendra
Chairperson/
Non-Executive Director



Suresh Rajendra
Non-Executive
Director



Dumith Fernando
Independent
Non-Executive Director



**Stephen Anthony
Appleyard**
Independent
Non-Executive Director



Daminda Gamlath
Non-Executive
Director



Pasan Wanigasekara
Independent
Non-Executive Director



CEO

Senath Jayatilake



**Harsha
Senanayake**
Chief Information
Officer



**Asha
Perera**
Chief Financial
Officer



**Rumesh
Modarage**
Chief Operating
Officer



**Imtiyaz
Aniff**
Chief People
Officer



**Mahen
Gunarathna**
Chief Marketing
Officer



**Shubham
Jain**
Chief Actuarial
Officer



**Wathsala
Aluthgedara**
Chief Partnership
Distribution
Officer



**Rishad
Mansoor**
Chief Agency
Officer



Rehan Ismail
Assistant Vice President -
Risk & Compliance

PURPOSE, VISION, BRAND, VALUES AND STRATEGY

Our Purpose

“Protecting Lifestyles” by ensuring our customers can enjoy life to its fullest, despite the unexpected.

“Protect relationships” by insuring the lives and futures of our customers and their loved ones against losses.

“Protecting ambitions” by supporting the dreams and goals of everyone who aspires to be the best version of themselves.

Our Vision

To be the most sought-after provider of insurance solutions

Our Mission

To provide protection, financial security and create wealth for our customers, adding value to our Employees, Field Staff, Business Partners, Shareholders and the Community

Our Brand Promise

Your Life, Our Strength

Our Values

Excellence | Caring | Innovation | Trust | Ethics | Integrity

Our Environmental Statement

We are committed to environmental excellence and pollution prevention, meeting or exceeding all environmental regulatory requirements, and to purchasing products which have greater recycled content with lower toxicity and packaging, that reduce the use of natural resources. Our Green initiatives encapsulate the essence of contributing towards preserving the environment and reducing our carbon footprint in the use of vehicular and machinery resources.

Our Social Statement

As a Company dedicated to protecting life and encouraging sustainable lifestyle changes among the populace for longevity, we are committed to providing life insurance solutions that support our Vision and Mission. Our brand promise is foundational to our responsibility towards the communities that we serve in ensuring the practice of our motto “Your Life, Our Strength”.

Our Strategy

A well crafted and efficiently managed strategy with due diligence to risk mitigation and good governance, ensures Company's growth in the insurance market

Strategies for 2023



Expand
Agency
Channel



Optimize
Bancassurance
Partnerships



Capitalize
on Alternate
Channels



#1 Digital
Insurer



Cost
Optimization



Customer
Centric,
Profitable,
Balanced
Product
Portfolio



Consolidate
Brand and
Secure Key
Spaces



People
Development



A Value
Capturing
Investment
Strategy

Our Key Value Drivers

Financial Highlights

Rs. 18.9 Bn
GWP

13%
Growth in GWP

Rs. 3.8 Bn
Profit for the Year

Rs. 6.38
Earnings per Share

37%
Growth in Earnings per Share

18%
Growth in the Life Fund

291%
Capital Adequacy Ratio

18%
Investment Yield

Non-Financial Highlights



Market Presence

Rs. 1,373 Mn
Brand Equity

3
PR Ranking



Unique Employee
Value Proposition

18,278
Training Hours

Rs. 20 Mn
in Training Investment

51:49
Female to Male Ratio



Forefront in Digital
Transformation

17,000+
Clicklife App Downloads

53%
Straight Through
Processing Rate (STP)



High Performing
Agency Team

174
MDRT Qualifiers

113
UAP Club Qualifiers



No 1 Bancassurance
Provider

2
Preferred Partnerships

5
Open Architecture
Partnerships



New Customers

42,000+
New Policyholders
during the Year

289,000+
Lives Insured

OUR DRIVING FORCES

Agency

Individual Clients

Differentiator

- ⊙ Highest digital adoption rates in the industry
- ⊙ Most comprehensive reward and recognition scheme in the industry

KPIs

41,823

New Policies

79%

Persistence

85

Branch Network

174

MDRT Qualifiers

Bancassurance

Bank Clients

Differentiator

- ⊙ Preferred Bancassurance Partnerships
- ⊙ Operational Excellence

KPIs

8,131

New Policies

90%

Persistence

7

Bancassurance Partners

105

MDRT Qualifiers

Alternate

Corporate Clients

Differentiator

- ⊙ Customer centric digitalisation drive
- ⊙ Profitable client portfolio

KPIs

208

Group Life & Surgical Clients

4

MDRT Qualifiers

59%

GWP Growth

Value Drivers

- ⊙ One of the highest number of MDRT qualifiers in the industry
- ⊙ Island-wide branch network
- ⊙ More than 75% contribution to the overall GWP

GWP

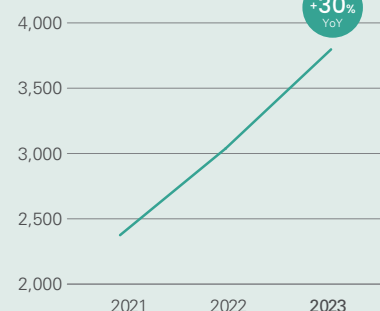
(Rs Mn)



- ⊙ 7 strategic Bancassurance partnerships with leading banks in the country
- ⊙ Market leader with strong expertise
- ⊙ Unique product portfolio

GWP

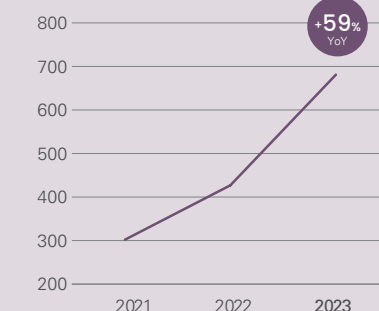
(Rs Mn)



- ⊙ Differentiated client value propositions
- ⊙ Focused and selective approach to client acquisition to manage profitability
- ⊙ Digital self-servicing capability for corporate clients

GWP

(Rs Mn)



AWARDS AND RECOGNITIONS

The Company was recognized for its business leadership and brand excellence in 2023. This bears ample evidence of its unwavering focus amid challenges and resilience in overcoming adversity.



Best Brand of the Year

Pinnacles Sri Lanka 2022

Union Assurance, was named 'Best Brand of the Year' at the Pinnacles Sri Lanka 2022, becoming the event's only recognised insurer. The award honoured the Company's customer-centric approach and service excellence in the industry.

Top 100 Most Valuable Brands in Sri Lanka – an Award Won for the 15th Consecutive Year

LMD Awards in Partnership with Brand Finance, a Global Brand Valuation and Strategy Consultancy

The top 100 most valuable consumer brands recognition is the result of a comprehensive analysis of Sri Lanka's brands landscape affirming Union Assurance remarkable brand equity, strategic investments, and outstanding performance in the market. This accomplishment is a testament to the Company's unwavering commitment to protecting lives and safeguarding the well-being of all Sri Lankans.



CMA Integrated Annual Reports

CMA Excellence Awards 2022

This award recognized Union Assurance's integrated report as complied to the Guiding Principles, Content Elements and Fundamental Concepts which appear in the International <IR> Framework issued by the International Integrated Reporting Council (IIRC) and special emphasis is given to Strategic focus and future orientation, Connectivity of information, Value creation and Reliability and completeness.



Company with Great Managers 2022

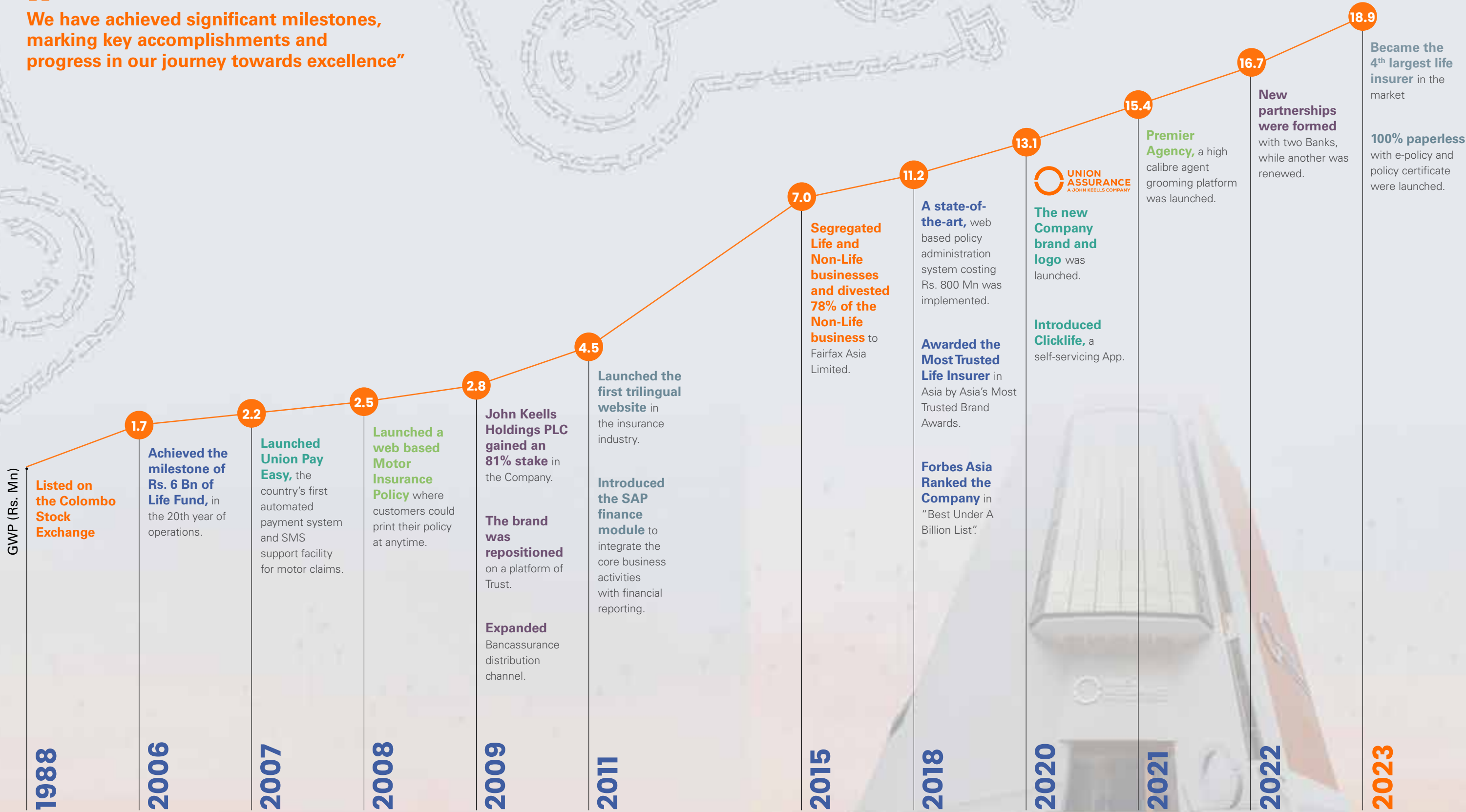
Colombo Leadership Academy

The Company was awarded the prestigious recognition of "Company with Great Managers 2022," for the second consecutive year as an organization benchmarked with best practices. This demonstrates the great managerial and leadership quotient available in the Company and the ecosystem that nurtures a second line of such managers.



MILESTONES AND KEY EVENTS

// We have achieved significant milestones, marking key accomplishments and progress in our journey towards excellence”



THE YEAR AT A GLANCE

January



A Partner Appreciation Night was held at Shangri-La, Colombo to celebrate the Banking Partners

March



The agency rewards and recognition programme, Union Assurance Premier Club, recognized top performers for the 4th quarter, 2022

May



Union Assurance becomes First in Industry to launch groundbreaking e-MER (Electronic Medical Examination Report) and Digital Medical Records to streamline underwriting process.

The Company won top accolades at the National Sales Awards for 2022.

July



UA honoured top achievers at the Bancassurance Annual Awards 2022.

Recognized in the category of Top "100 Most Valuable Consumer Brands" in Sri Lanka for the 15th consecutive year.

September



Uniship, a comprehensive internship programme was launched to nurture talent and build future leaders.

November



The Company launched a Digital Policy Certificate and e-Policy.

2023

2024

February



The Company was awarded Best Brand of the Year, at Pinnacles Sri Lanka 2022, the only Insurance solutions provider to be honoured, at the event.

April



The Company held its Sports Day at Air Force Grounds in Colombo, which was eagerly attended by our employees.

June



The Company was awarded the prestigious recognition of "Company with Great Managers 2022" for the second consecutive year.

August



"Wonder Moms" programme, honouring working mothers was held

Automated Financial Questionnaire evaluation was launched, to streamline the underwriting process

October



Union Assurance Retirement Calculator launched to celebrate the World Elders' Day.

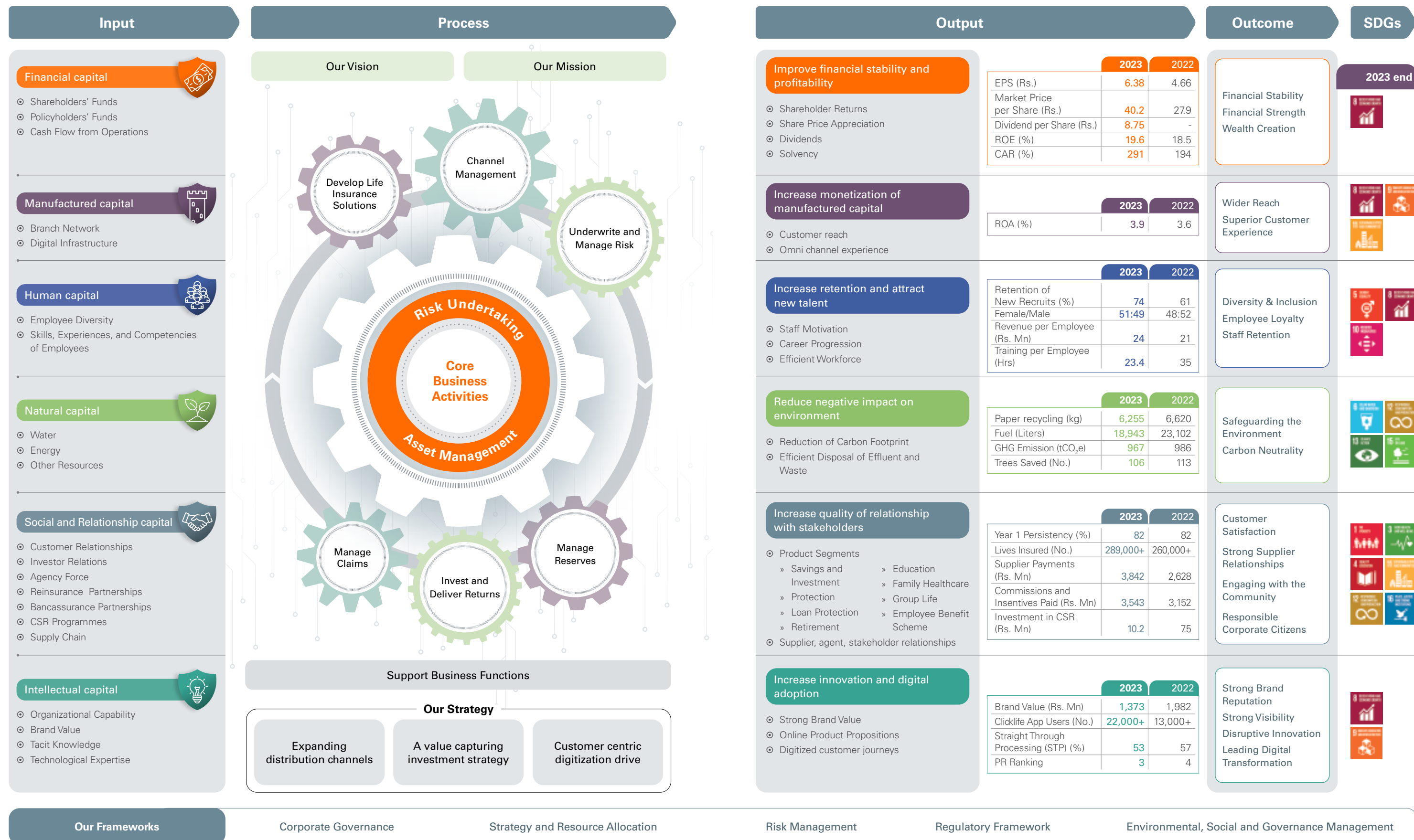
Encouraging cardiovascular health, the Company successfully concluded a "Heart Day Step Challenge" Programme which was well received.

December



UA held its annual ball and centre functions annual awards ceremony with over 500+ employee participation.

VALUE CREATING BUSINESS MODEL



Our Frameworks

Corporate Governance

Strategy and Resource Allocation

Risk Management

Regulatory Framework

Environmental, Social and Governance Management

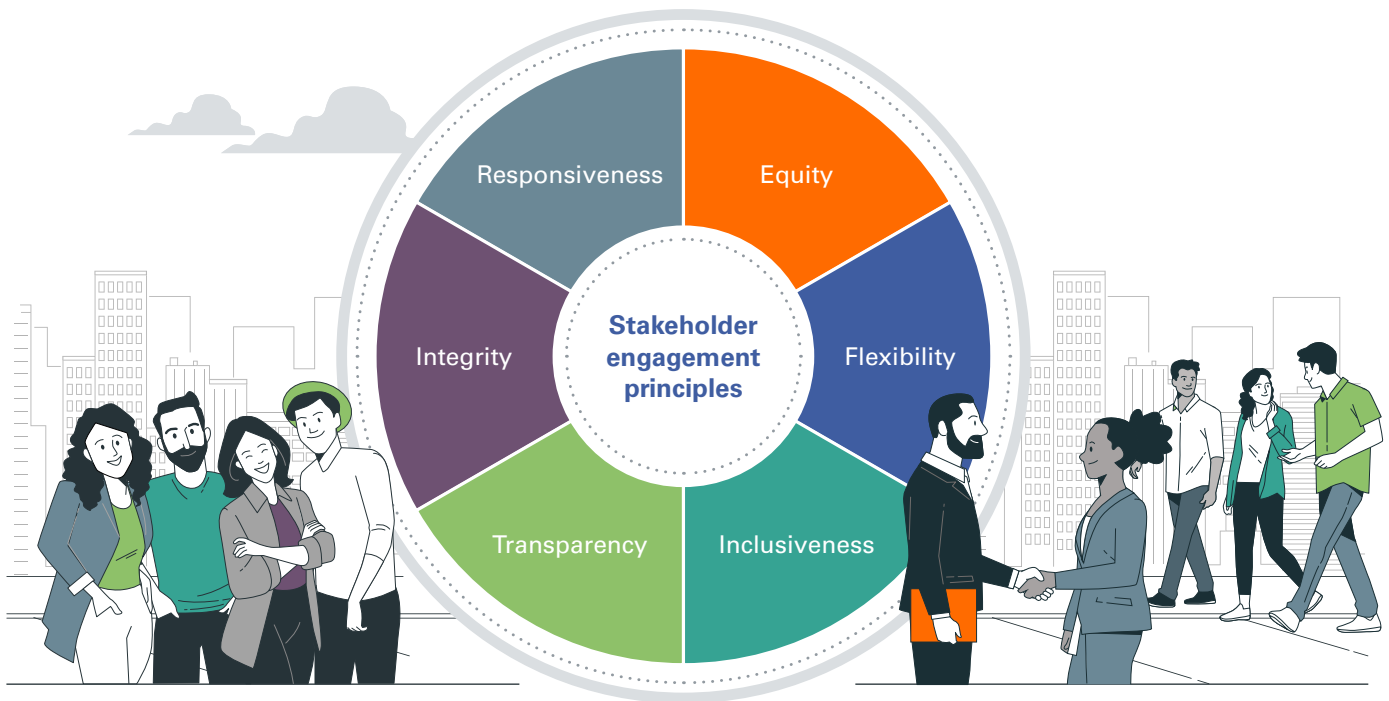
STAKEHOLDER ENGAGEMENT AND MATERIALITY



In our journey through the years leaving a steady footprint in the insurance industry in Sri Lanka which we continue to strengthen, the quality of our relationships with our many stakeholders and those matters materially important to and impacting them, is of paramount importance to us to recognize and manage.”

Our Focus

We focus on identifying the matters that materially impact our different stakeholder groups and define methodologies to suit each individual group in managing their expectations, founded on time-tested stakeholder engagement principles.

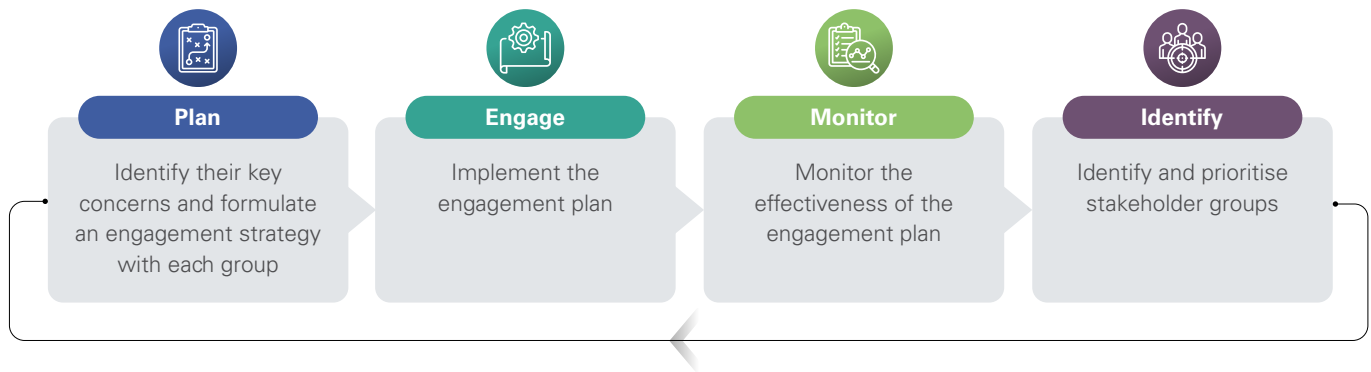


Our Approach

Stakeholder Mapping



Stakeholder Management Process



Customer engagement - Customer activation program



Community engagement - Art Competition

Identified Stakeholder Segments

	Method of Engagement	Key Concerns	Our Response	Level of Engagement	Impact on Stakeholder
 Employees	Drive the business into the future and grow with the Company - Training Programmes - Recreation Activities - Rewards and Recognition programmes - Corporate Communications - Performance Appraisals - Discussions - Employee Surveys	- Migration, other career options - Job Security - Expectation of work/life balance - Health and Safety and other relevant information - Career Progression - Training and Development opportunities - Open Communication	- Fair remuneration on par with industry standards and market expectation - Robust HR Governance - Hybrid work model - Safe workplace, conduct awareness sessions - Opportunities for internal talent - Opportunities for career growth - Two-way-Communication process, Whistleblower process	 High	 High

STAKEHOLDER ENGAGEMENT AND MATERIALITY

		Method of Engagement	Key Concerns	Our Response	Level of Engagement	Impact on Stakeholder
 Investors	Investing in the Company with their capital and funding, this segment remains critically important for the Company's profitability and sustainable growth.	- Annual General Meeting - Extraordinary General Meeting - Annual report - Corporate website - CSE announcements - Media releases/publications - One-to-one meetings as required	- Resilience amid macro-economic uncertainties - Financial performance and healthy financial position - Transparent reporting - Adherence to corporate governance rules - Dividend decisions - Share prices and share market performance	- Strengthen risk assessment and mitigation plans - Strong financial management - Open reporting methods - Continue robust corporate governance system - Transparent communication with investors - Focus on long term sustainable value creation	 Low	 High
 Customers	Their retention, growth and service-oriented management is important for the longevity of the Company.	- Island-wide Branch network - Customer Surveys - Advertising campaigns - Customer communication/social media/Corporate website - Customer research - Complaint management	- Need for protection against exigencies in life - Affordability and accessibility to the services - Reliability on operations - Complaint handling mechanism - Automated service environment - Quick resolution of complaints	- Unique product portfolio, superior service, digitalized access to the Company - Fair product pricing/technology driven product offerings - Continuous service standards review - Measure customer satisfaction & improve service quality - Leveraging technology for better customer service - Speedy complaint resolution	 High	 High
 Community	It is the 'Social License' based on a strong brand that allows us to reach the uninsured offering our product range to them.	- CSR Projects - Press Releases - Public Events - Community Forums - Corporate Website and Social Media	- Employment opportunities - Increasing demand for community development activities - Responsible business conduct - Conduct environmentally friendly initiatives	- Creating new job opportunities - CSR initiatives - Ethical business behaviour with best practices - Energy saving programs and proper waste management to encourage paperless operations	 Low	 Low

		Method of Engagement	Key Concerns	Our Response	Level of Engagement	Impact on Stakeholder
 Suppliers & Business Partners	An integral part of our business momentum and growth in supplying the necessary material on time	- Supplier relationship management - Maintain service level agreements - Strategic sourcing opportunities - Formal interactions	- Maintain strong supplier relationships - Timely settlement of payments - Supplier performance management - Retention - Fairness and transparency	- Continue sustainable supplier relationships - Payment settlement in a timely manner - Develop effective communication lines - Approachability - Fair and transparent vendor selections	 Low	 Low
 Regulators	Compliance with all regulatory requirements is critical to the functioning of the Company	- Periodic returns and one-to-one meetings, where needed - On-site surveillance - Press releases	- Awareness of the regulatory universe that applies to our Company - Being a responsible taxpayer	- Active participation to the industry and regulatory working groups - On time tax payments	 High	 Low

In 2024 and beyond, we will seek ways and means to strengthen our key relationships that weighs in on the way we do business and our planned longevity. While pursuing new business relationships that adds value to us, we deliver value for mutual benefit.

Our Material Topics

We employ the three-pronged process in identifying those matters that are material to the Company.

Identify the Issues:

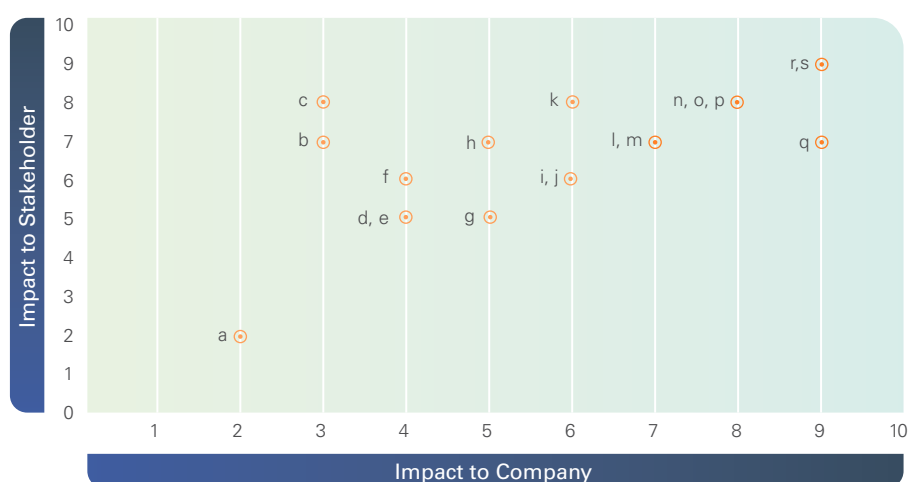
Market Analysis, PESTEL, SWOT, Stakeholder Engagement, Internal discussions helps us to identify those, that are material to the Company

Prioritise:

Based on environmental, political, and economic scenarios and the Company's resource allocation, we prioritise the issues according to their impact severity

Integration:

With the approval of the Board, we consider the issues to form Company strategy and resource allocation



a. Public policy	h. Diversity, Equal Opportunity & Non-Discrimination	n. Reinsurance Partners
b. Health & Safety of Customers	i. Occupational Health & Safety	o. Transparent and fair advice to Customers
c. Geographical Expansion	j. Corporate Citizenship	p. Channel partnerships
d. Procurement practices	k. Corporate Governance	q. Customer Privacy
e. Local Communities	l. Employment	r. Systemic Risk Management
f. Anti-Corruption	m. Retention, training and development	s. Financial Stability & Profitability
g. Environmental Risk Exposure		

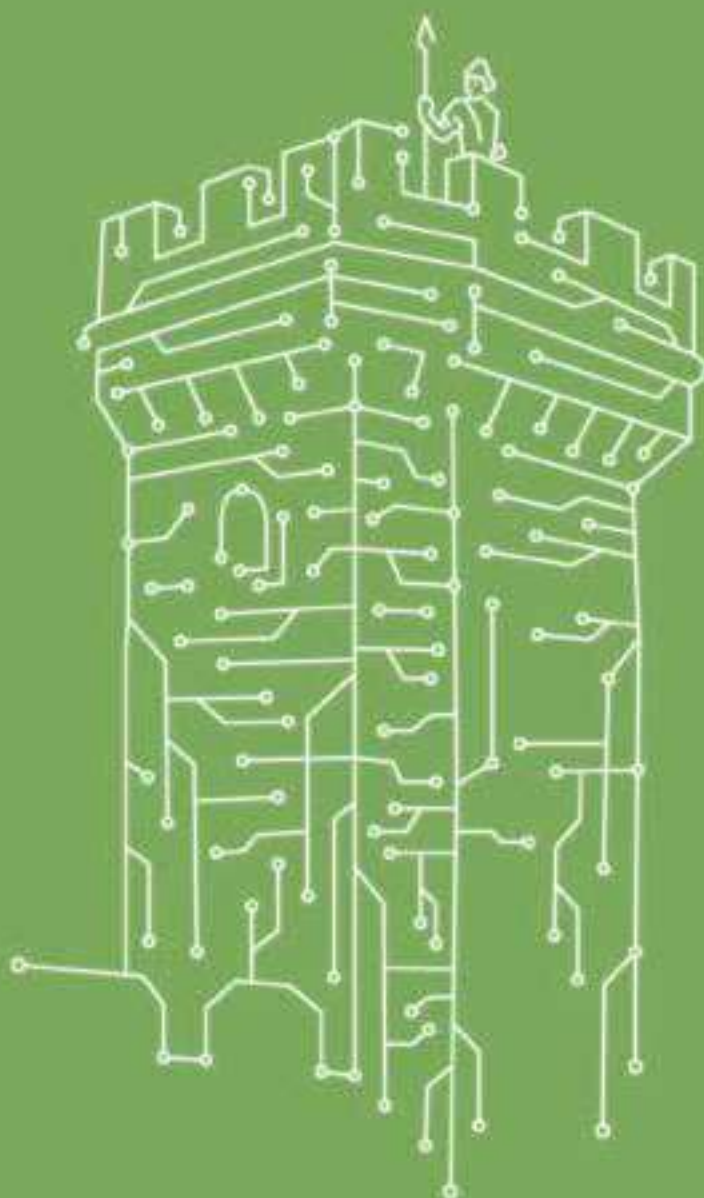
STAKEHOLDER ENGAGEMENT AND MATERIALITY

Material Matters	Relative Impact		Capitals Impacted	Changes in Materiality	GRI Standard	Our Response
	Company	Stakeholders				
Financial Stability and Profitability	High	High	Financial Capital	No Change	GRI 413 UNSDG 1 & 2	Financial Capital – Page 64
Geographical Expansion	Low	High	Manufactured Capital	No Change	GRI 202 UNSDG 1, 5 & 8	Manufactured Capital – Page 84
Corporate Governance	Medium	High	All Capitals	No Change	GRI 2-9	Corporate Governance – Page 121
Procurement Practices	Low	Medium	Social and Relationship Capital	No Change	GRI 204 UNSDG 8	Social & Relationship Capital – Page 102
Employment	High	High	Human Capital	No Change	GRI 401 UNSDG 8 & 5	Human Capital – Page 88
Retention Training and Development	High	High	Human Capital	No Change	GRI 404 UNSDG 4 & 10	Human Capital – Page 88
Public Policy	Low	Low	Social and Relationship Capital	No Change	GRI 415 UNSDG 16	Social and Relationships Capital – Page 102
Health and Safety of Customers	Low	High	Social and Relationship Capital	No Change	GRI 416 UNSDG3	Social and Relationships Capital – Page 102
Transparent and Fair Advice to Customers	High	High	Social and Relationship Capital	Inclusion of SASB Standard for Insurance	SASB FN-IN-270a.4	Social and Relationships Capital – Page 102
Customer Privacy	High	High	Social and Relationship Capital	No Change	GRI 418 UNSDG 16	Social and Relationships Capital – Page 102
Occupational Health and Safety	Medium	Medium	Human Capital	No Change	GRI 403 UNSDG 3, 8 & 16	Business Continuity Plan – Page 161
Local Communities	Low	Medium	Social and Relationship Capital	No Change	GRI 413 UNSDG 1 & 2	Social & Relationship Capital – Page 102
Diversity and Equal Opportunity Non-Discrimination	Medium	High	Human Capital	No Change	GRI 405 UNSDG 5 & 8	Human Capital – Page 88
Anti-Corruption	Low	Medium	Social and Relationship Capital	No Change	GRI 205 UNSDG 16	Social & Relationship Capital – Page 102
Environmental Risk Exposure	Medium	Medium	Natural Capital/ Social and Relationship Capital	Inclusion of SASB Standard for Insurance	GRI 302, 303, 306, 307 UNSDG 7, 8, 12 & 13 / SASB FN-IN-450a.1, 2, 3	Natural Capital – Page 96
Channel Partnerships	High	High	Social and Relationship Capital	No Change	GRI 414 UNSDG 5, 8 & 16	Social & Relationship Capital – Page 102
Reinsurance Partners	High	High	Social and Relationship Capital	No Change	SASB FIN-IN-000a	Social and Relationship Capital – Page 102
Systemic Risk Management	High	High	All Capitals	Inclusion of SASB Standard for Insurance	SASB FN-IN-550a – 1, 2, 3	Risk Management – Page 174
Corporate Citizenship	Medium	Medium	Social & Relationship Capital	No Change	GRI 203 UNSDG 1, 3, 5, 8, 9 & 11	Social & Relationship Capital – Page 102

THE TOWER/KEEP

Like the tower of a Fortress positions itself at a geographical advantage, Union Assurance PLC's Strategic Review mechanisms hold the Company's opponents at bay, as our watchmen inform, plan and revise operations. A key component of our growing success, Strategic Review, is a strong source of confidence.

The following pages detail the ploys that has kept the Company secure in the past year.



STRATEGIC REVIEW

REFLECTION FROM OUR CHAIRPERSON

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In this challenging backdrop, Union Assurance achieved a strong performance during the year under review. The Company focused on delivering sustainable growth in earnings, expanding distribution channels, a value capturing investment strategy and customer centric digitization drive to deliver sustainable value to its stakeholders."



Dear Stakeholder

I am pleased to present the Integrated Annual Report and the Financial Statements for the financial year ended 31 December 2023.

I believe our Report will provide you with an in-depth understanding of the Company's value creation process and strategies in place to steer the business towards sustainable growth navigating the current dynamic macroeconomic environment.

External Environment

The Sri Lanka economy is in a recovery phase. With the implementation of various policy reforms, the domestic economic environment is stabilizing with inflation easing to a single digit in the second half of the year. Although inflation has decelerated, the elevated levels of inflation that prevailed, and the impact of higher direct and indirect taxes, have dampened consumer discretionary spend.

The improving trade balance in the country and substantial increases in tourism receipts and foreign currency remittances resulted in strong net inflows into the country from the first quarter of 2023. The Domestic debt optimization was completed without significant disruption to the financial system. These positive headwinds indicate that the economic recovery phase commenced within a shorter period than expected.

Performance

In this challenging backdrop, Union Assurance achieved a strong performance during the year under review. The Company focused on delivering sustainable growth in earnings, expanding distribution channels, a value capturing investment strategy and customer centric digitization drive.

For the financial year 2023, the Company recorded an encouraging growth of 13% in gross written premium (GWP) amounting to Rs. 18.9 Bn while annualized new business premium (ANBP) increased by 18% to Rs. 7.6 Bn. Growth in both GWP and ANBP was driven by significant progress made by all three distribution channels of the Company.

Net investment income increased by 45% to Rs. 10.8 Bn supported by both the asset allocation strategy and high interest rate trajectory that prevailed during the first half of 2023. Supported by the strong investment results achieved during the year, a dividend rate of 13.5% was declared to Universal life policyholders for year 2023, one of the highest dividend rates declared in the past decade by a life insurance Company.

Profit before tax (PBT) for the year increased by 41% to Rs. 5.3 Bn. The increase in PBT is on account of the growth in GWP, Investment income together with optimization of expenses.

Net claims and benefits paid to policyholders increased by 18% to Rs. 6.7 Bn. The increase in net claims and

benefits is mainly due to a 30% increase in surrender payouts stemming largely from the adverse economic conditions. Whilst net acquisition and underwriting costs increased by 12% in line with the growth in GWP, other operating, administrative and selling expenses growth was curtailed to 10% despite significant inflation in the first half of 2023. This was enabled by rigorous monitoring of costs and implementing cost saving and optimization initiatives.

The Company's assets under management (AUM) recorded a strong growth of 29% during the year and stood at Rs. 83.4 Bn. The robust growth in AUM is driven by a healthy increase in investment income and valuation impact on Available for Sale (AFS) assets due to the decline in interest rates at the end of the year. The life fund, which is backed by a quality asset base, grew by 18% to Rs. 64.1 Bn as of 31 December 2023.

Depicting strong Solvency and Liquidity, the Company maintained a healthy capital adequacy ratio (CAR) of 291% as at the reporting date, a value well above the minimum regulatory requirement of 120%.

Environmental Social and Governance

The environment remains an integral priority in the way we do business. A comprehensive framework ensures that impacts are identified, monitored, and duly addressed. Being innovative and committing to safeguarding the

“Supported by the strong investment results achieved during the year, A dividend rate of 13.5% was declared to Universal life policyholders for year 2023, one of the highest dividend rates declared in the past decade by a life insurance Company.”

AUM

Rs. 83.4 Bn

2022 - Rs 64.5 Bn

Life Fund

Rs. 64.1 Bn

2022 - Rs 54.5 Bn

environment while servicing customers better, the policy certificate along with the e-policy document was introduced during the year with the aim of minimizing ecological footprint.

We have committed to achieving carbon neutrality in our operations and achieved a year on year 2% cumulative reduction in scope 1 and 2 emissions against 2022 despite increase in operations. This was resulted by implementing energy saving initiatives to manage non-renewable energy efficiently.

UA remains committed to being a force for social good. In line with our CSR vision of ‘Empowering the Nation for Tomorrow’ several initiatives were conducted during the year. Recognizing the basic need to access clean drinking water, the Company has partnered with the ‘Katu Kambi Foundation’ to provide clean drinking water and tackle the issue of poverty among school children.

During the year, a state-of-the-art filtering system was handed over to a school and water treatment plants of five schools were renovated. Gift packs containing school bags, t-shirts and sanitary napkins for 6 months were distributed among

1,000 school children in Polonnaruwa. A memorandum of understanding was signed with Wayamba University to offer valuable internships and skills development opportunities for promising undergraduates.

Other CSR initiatives included providing school essentials and dry rations to selected schools; granting Sisumaga Plus scholarships; donating musical equipment to schools; and conducting knowledge sharing sessions with universities.

The Company made significant progress in diversity, equity, and inclusion (DE&I) front. UA is committed to creating a diverse, equitable, and inclusive culture within the organization and several initiatives were carried out during the year to strengthen this.

The 100 days of Equal Parental Leave which was aimed at eliminating the discrimination associated with recruiting females due to potential concerns relating to maternity leave, is continued for this year as well. The setting of the internal five-year goal of achieving 50% women in the workforce by the end of 2025 has already yielded results. As of 31 December 2023, the Company reached 51% female participation in our workforce from 48% two years ago, when this goal was set.

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

I also wish to affirm our commitment to upholding Company policies, where emphasis is placed on ethical and legal dealings, zero tolerance for corruption, bribery and any form of harassment or discrimination in our workplace and any work-related situations.

Over the year several initiatives were implemented to further strengthen the Company’s governance framework. Frameworks relating to product

governance, agent inquiry and investigation, human resources and sales force administration were further streamlined while a new transparent brand and social media governance framework was introduced.

Other initiatives included commencing a gap assessment for the Personal Data Protection Act (PDPA), strengthening customer due diligence process, and implementing a mandatory e-learning module on Anti Money Laundering (AML).

As a part of the JKH Group’s ongoing efforts towards increasing emphasis on environmental, social and governance (ESG) aspects, the Company embarked on re-formulating its ESG framework setting revised ESG ambitions and translating such ambitions to ESG related targets.

Our People

Our holistic employee value proposition enables us to consistently attract some of the best talent in the industry. We continue to enhance our value proposition through investing in training and development and fostering a performance-oriented culture founded on ethical and transparent behaviour. We remain committed to developing and supporting our employees as we see intrinsic value both to our employees as well as the organization.

The organization structure and all job roles were reviewed and benchmarked during the year with the aim of improving the performance of the organization and preparing the organization for the next level of growth. ‘Uniship’, an internship program, endorsing our commitment to talent development was launched during the year to nurture talented undergraduates. The program is geared at providing fruitful experiences to the students and offering a path to commence their corporate journey.

The Corporate Governance Commentary and the Capital Management Review sections of this Report explain in further detail the best practices, policies and procedures that are in place to ensure that Union Assurance is ‘More Than Just a Workplace’.

REFLECTION FROM OUR CHAIRPERSON

“The year has been a challenging one. We have, however, achieved a strong performance in several facets of our business because of the strength and dedication of all our employees. I therefore take this opportunity to thank them all for being instrumental in steering the Company forward, showcasing resilience in the face of adversity.”

Dividend

The Board declared a first and final dividend of Rs. 8.75 per share amounting to a total payout of Rs. 5.2 Bn on the 29 February 2024 which will be paid on or before 2 April 2024.

The Company will continue to follow its dividend policy, which corresponds with growth in profits, whilst ensuring that the Company maintains adequate funds to enable business continuity and to fund its pipeline of strategic initiatives.

Change in Key Management Personnel

On behalf of the Board, I would like to thank Mr. Malinga Arsakularatne for his valuable service to the Company over the last 3 years as an Independent Non-Executive Director. I would also like to welcome Mr. Pasan Wanigasekara to the Board. We are confident that his experience will be valuable to the long-term journey the Company has embarked upon.

On behalf of the UA Team, I wish to sincerely thank Mr. Jude Gomes for his dedicated service to the Company as the Chief Executive Officer over the past 4 years. I also wish to warmly welcome Mr. Senath Jayatilake as the Chief Executive Officer of the Company who assumed office from 1 January 2024. We are confident that with his leadership the Company will continue to excel to the next stage of its growth.

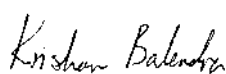
Forward Looking

We expect the Sri Lankan economy to stabilize in 2024 and remain optimistic about our prospects for the year given the strong market fundamentals of the insurance industry. We will therefore continue to forge ahead with our strategy of transforming the Company from a volume centric to a value centric organization in achieving our ambition of a fully-fledged digital and customer-centric insurer for the new age. We will however remain cognizant of market developments given the high level of uncertainty and stay agile and resilient to be able to respond to these evolving dynamics.

Appreciation

The year has been a challenging one. We have, however, achieved a strong performance in several facets of our business because of the strength and dedication of all our employees. I therefore take this opportunity to thank them all for being instrumental in steering the Company forward, showcasing resilience in the face of adversity. I also wish to thank my fellow directors on the Board, the Chief Executive Officer and the Senior Management Team for their valuable guidance and support during the year.

My sincere thanks and special gratitude are extended to the Chairman, Director General, and the team at the Insurance Regulatory Commission of Sri Lanka for ensuring that stakeholder concerns are heard and addressed. Our appreciation also goes out to the Insurance Ombudsman for ongoing support. Finally, on behalf of the Board of Directors and all employees of the Company, I would like to thank our stakeholders for being an important part of our journey as we deliver our core purpose.



Krishan Balendra
Chairperson

29 February 2024

REFLECTION FROM OUR CHIEF EXECUTIVE OFFICER

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We remain optimistic about our prospects for the next year, while being cognizant of market dynamics. We focus on the future, being a fully-fledged digital and customer-centric insurer for the new age. With a carefully crafted strategy in place and with our accumulated business acumen, I am confident the Company will grow in profitability and corporate strength "



Union Assurance ended the financial year of 2023 recording an outstanding performance amid an operating environment rife with unprecedented challenges and uncertainties, demonstrating its enduring strength and resilience. The Company reaffirmed its position as the trailblazing Life Insurer of the nation, protecting lives, empowering people, and providing peace of mind to its policyholders.

Operating Environment

The adverse macro-economic conditions and corrective measures taken to mitigate the risks impacted consumer spending. High inflation rates that prevailed during the first half of the year and corrective measures taken to curtail it including interest rates hikes, administrative price adjustments and tax reforms created pressure on the cost of living and dampened the disposable income.

Despite the macro-economic challenges, by recording a Gross Written Premium (GWP) growth of 12% for the year, the life insurance industry has demonstrated strong resilience. Increased demand for health insurance and long-term financial protection during adverse economic situations played a significant role in this upward trend.

Delivering Sustainable Growth in Earnings

Amid these challenges, our strategy, which is based on long-term value creation, focuses on meeting and delivering on the expectations of our stakeholders,

specifically policyholders, shareholders, distributors, and employees in a resilient and agile manner.

For the year under review, regular new business premium income grew by 18% to Rs. 7.6 Bn while GWP grew by 13% to Rs. 18.9 Bn. The growth in GWP is supported by an 18% increase in regular new business premiums, a 12% increase in renewal premiums and 59% increase in Group life premium.

Net investment income increased by 45% to Rs.10.8 Bn and it was fuelled by both asset allocation strategy and high interest rate trajectory prevailed during the first half of 2023.

In terms of outgoings, net claims and benefits paid to policyholders increased by 18% to Rs. 6.7 Bn supported by a 30% increase in surrender payouts stemming from adverse economic conditions. Whilst net acquisition and underwriting cost increase is managed at 12% by implementing a new incentive scheme that also drives volume along with profitability, other operating, administrative and acquisition expenses were curtailed to 10% increase despite the significant inflation in the first half of 2023. This was a result of rigorously monitoring costs, implementing cost saving and optimization initiatives.

Profit before tax (PBT) for the year increased by 41% to Rs. 5.3 Bn as a result of an increase in GWP, investment income and optimization of expenses.

The Company's assets under management (AUM) recorded a commendable growth of 29% during the year and topped Rs. 83.4 Bn as of 31 December 2023. The strong growth in AUM is driven by business cash inflow, strong growth in investment income and the valuation impact on Available for Sale (AFS) assets due to the decline in interest rates at the end of the year. The life fund, which is backed by a quality asset base, grew by 18% to Rs. 64.1 Bn as of 31 December 2023.

In terms of Solvency and Liquidity, the Company maintained a healthy capital adequacy ratio (CAR), which is highly sensitive to interest rate movements in the market. The CAR as of 31 December 2023 is 291%, a 50% increase from the previous year and it was well above the minimum regulatory requirement of 120%.

The strong balance sheet and healthy CAR supported a dividend of Rs. 8.75 per share as the first and final dividend for the year 2023.

Expanding Distribution Channels

Our promise "Your Life. Our Strength" is what drives our 3,400 colleagues to deliver protection to over 280,000 Sri Lankans every day. The Company's strong results were due to the robust performance of our distribution channels.

Agency channel is our primary engine of growth and contributed to 74% of our GWP. The channel expanded its footprint by relocating 3 branches and improved customer experience by upgrading 6

REFLECTION FROM OUR CHIEF EXECUTIVE OFFICER

“The Company produced 283 Million Dollar Round Table (MDRT) qualifiers during the year, reaffirming Union Assurance as a leader in the Sri Lankan insurance market for nurturing the highest number of MDRT qualifiers.”

18%

Growth in Regular New Business Premium

45%

Growth in Net Investment Income

branches during the year. In a challenging operating environment, it demonstrated significant progress in key performance indicators including productivity and case size, resulting in a strong double-digit growth in ANBP indicating resilience amid adversity.

Recruitment and retention continue to be challenging as migration and exploration of other careers become attractive to the talent pool. Several initiatives were carried out during the year to address this concern. These included further refining the reward and recognition criteria along with incentives structure, Union Assurance Premier Club; introduction of a strategic talent sourcing program and implementing skill and leadership development initiatives. These initiatives enabled the Company to possess one of the industry's most comprehensive reward and recognition schemes.

Given its significant contribution, the Channel recorded an encouraging growth of 8% in GWP during the year under review.

The Bancassurance vertical has a significant upside potential given the higher banking penetration in the country. The Bancassurance channel recorded a 26% growth in ANBP while GWP grew by 27%. The key performance indicators of the channel, such as case size and productivity, have shown a significant improvement. For the reasons already mentioned recruitment and retention continue to be challenging for the bancassurance channel as well. This channel delivered an excellent performance in the year under review due to the outstanding performance of partnerships we formed.

Alternate channel's GWP growth of 105% was backed by the exemplary performance of the corporate channel and the policy conservation unit. The corporate channel focused on a selective approach to acquiring business where the combined ratio is carefully evaluated to ensure profitability of the channel and recorded an impressive growth of 59% in GWP.

The policy conservation unit established at the beginning of 2023, to revive lapsed policies, also performed well during the year. Whilst Decreasing Term Assurance (DTA) channel was impacted by the low loan take-up rate stemming from high interest rates that prevailed during the year and increased cost of living. However, the channel has a positive outlook for 2024 with the recovery of the economy and normalising of interest rates that will result in an increase in demand for credit. The Company, as part of its channel diversification initiative, started a partnership channel and entered two strategic partnerships during the year showcasing considerable progress.

The Company produced 283 Million Dollar Round Table (MDRT) qualifiers during the year, reaffirming Union Assurance as a leader in the Sri Lankan insurance market for nurturing the highest number of MDRT qualifiers.

A Value Capturing Investment Strategy

During the year under review, the Company recorded an outstanding investment result despite significant uncertainty over the domestic debt optimization (DDO). Whilst overall investment yield for the year is 18.15%, AUM grew by 29% to Rs. 83 Bn as of end of the year. The strong investment performance is supported by both the high interest rates environment that prevailed during the first half of the year and efficient, and forward-looking asset allocation strategy of the Company which capitalized and locked in significant portions of investment cash flows at relatively high interest rates in long term investment horizon.

In the first half of the year, we benefited from exceptionally high treasury yields, creating conducive conditions to capture advantageous rates. However, this period also resulted in a temporary decrease in the market value of assets, impacting CAR due to the inherent interest rate risk. The landscape shifted significantly in the second half of 2023 when government plans for DDO were announced, leading to a substantial decline in treasury yields. The Company, unaffected directly by DDO, made strategic long-term investments evaluating the risk-return trade-off. This significantly improved the fund's interest income and contributed to a positive year-end CAR. Amidst the challenges presented by the inverted yield curve, significant yield curve shifts, and other anomalies in the fixed income space, the Company seized opportunities through agile and dynamic initiatives. These endeavours allowed us to navigate uncertainties effectively and capitalize on market trends.

Colombo Stock Exchange witnessed notable growth in 2023, with both indices, All-Share Price Index (ASPI) and SL&PL, experiencing remarkable gains, especially in the third quarter. The Company equity allocation, which is 5% of AUM recorded a gain of Rs. 708 Mn and a return of 20%.

“The Company was able to declare a Universal life policyholder dividend of 13.5% for the year 2023, an all-time high for the Company for a decade.”

13.5%

Life Policyholder Dividend

Our commitment remains steadfast in actively managing the equity portfolio to capitalize on opportunities and navigate challenges effectively.

Crystallizing all the above investment strategies the Company was able to declare a Universal life policyholder dividend of 13.5% for the year 2023, an all-time high for the Company for a decade.

Customer Centric Digitization Drive

The Company has empowered Sri Lankan dreams for over 3 decades, helping our customers pursue their ambitions with peace of mind. Our forward-thinking initiatives, driven by product innovations, service excellence, and groundbreaking solutions, enable us to meet evolving customer needs. Powered by a strong bancassurance network, a dynamic sales force, and cutting-edge technology, we place customer-centricity at the heart of everything we do. Our brand value for the year 2023 is Rs. 1.4 Bn, ranking among the top 100 most valuable consumer brands in Sri Lanka.

The central to our strategy is pivotal embrace of digital transformation, rendering our entire business operations paperless. From acquisition to servicing and other processes, our seamless digital channels enhance efficiency and accessibility, facilitating effective

engagement with customers and distributors throughout their journey.

Leveraging digital capabilities to enhance the customer experience, and driving transparency and simplicity enabled us to have an edge over the competitions and position our products and services with greater speed to market and deliver superior results.

The comprehensive product portfolio which caters to protection, health, investment and saving, retirement and education needs was further strengthened by adding a 'Smart Wealth Builder' product during the year. A fund accumulation universal life product that includes an attractive maturity loyalty bonus with an option of premium payment over 5 years, carries a suite of multiple rider benefits.

Our revolutionized digital initiative, Clicklife App, that provides a platform to connect policyholders with the Company throughout their policy life cycles, was upgraded to improve customer experience including to key segments such as Millennials and Gen Zs. Whilst AI powered calorie counter and physical activity tracking was included, loyalty programme was expanded to include loyalty point redemption at over 129 partner outlets. A set of new self-servicing features such as applying for a policy loan, e-policy, divided and bonus letters are incorporated into the App in addition to the existing self-servicing features such as paying premiums, downloading policy-related documents, accessing policy details, submitting claims, and policy documents and facilitating cashless hospitalization to channelling physicians, in an effort to make clicklife a one-stop-shop ecosystem for insurance and wellness needs of our customers.

A web enabled sales force management system, Financial Advisor Management Explorer (FAME) was upgraded to facilitate digitally streamlined activity management and lead-to-cash customer journey. This provides valuable insights for assessing

agent performance, projecting business outcomes, and proved to be a valuable tool for the sales force.

Timely investments in digital transformation also helped and enabled us to embrace the SLRS 17 journey. During the year significant progress was made enabling the Company not only to be compliant but strategically aligned when the standard is implemented in 2026.

The Company continues to embrace innovation, progress and ESG value. To this end, among many other initiatives a policy certificate along with the e-policy document was introduced with the intention of minimizing the industry's ecological footprint. While being a futuristic initiative, it reflects our commitment to preserve the environment.

During the year, the organization structure was reviewed and revamped with expert input, to align with its potential underpinned by digital capabilities.

Looking Ahead

Sri Lankan economy is stabilizing, with many long-term economic reforms being implemented by the government. The successful completion of external debt restructuring, fiscal consolidation, and institutional discipline are critical to move the economy into a growth trajectory. We are aware of the challenges 2024 poses with geopolitical tensions and Sri Lanka conducting the elections. However, we are confident of our Company's strength and agility to meet any headwinds and navigate through the uncertainties.

Significantly low insurance penetration in the country, favourable demographic factors and digitalization provide a substantial opportunity to the life Insurance Industry. The immense growth potential for the life insurance sector hinges on strategic factors such as raising awareness, developing a well-suited range of products and solutions, and establishing a robust service proposition.

REFLECTION FROM OUR CHIEF EXECUTIVE OFFICER

Building confidence and gaining traction in the market will be pivotal to aligning with customer needs and fostering sustained growth in the industry.

We remain optimistic about our prospects for the next year, while being cognizant of market dynamics. We focus on the future, being a fully-fledged digital and customer-centric insurer for the new age and serving our communities in a responsible manner. This manifests in more competitive products, superior growth and return on capital, and highly engaged customers achieving success.

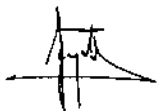
With a carefully crafted strategy in place and with our accumulated business acumen, I am confident the Company will grow in profitability and corporate strength, for a sustainable future.

Appreciation

I would like to express my appreciation to all our employees for delivering an excellent performance which is the result of their ongoing commitment to our core purpose as well as innovative thinking, determination, and effort.

Finally, I would like to thank our customers, partners, intermediaries, all other stakeholders and the Regulator for their guidance, timely intervention, and support.

We look forward to continued success in 2024 and beyond.



Senath Jayatilake
Chief Executive Officer

29 February 2024

THE DRAWBRIDGE

Like the Drawbridge serves as a connection to the rest of the world with what lies within, Union Assurance PLC's Management Discussion and Analysis serves as a cornerstone for key stakeholder relations. It is a major line of communication with those on the outside, looking in.

In the following pages lie a detailed vision of the Company's MD&A, as the Drawbridge between.



MANAGEMENT DISCUSSION AND ANALYSIS

36 Operating Environment | 44 Our Strategy and Resource Allocation | 50 Risk and Opportunities | 55 Value Delivered
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120 Strategic Trade-off and Impact on Capitals

OPERATING ENVIRONMENT

OUR EXTERNAL ENVIRONMENT

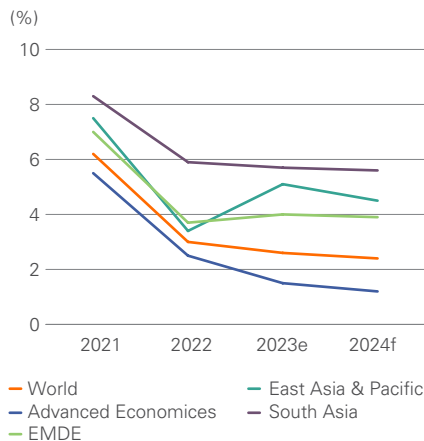


After enduring a challenging period marked by six consecutive quarters of economic slowdown, the local economy has finally turned the corner in the 3rd quarter of 2023, signalling a promising recovery."

The Global Economy

Interest rates and inflation, which were rising dramatically at the beginning of 2023, peaked towards midyear. Conflict in the Middle East in the 3rd quarter of 2023 exacerbated global economic woes that resulted from the Ukraine-Russia conflict. Attributed to tight monetary policies, restrictive financial conditions and slow trade growth exacerbated by geopolitical conflicts, and the sharp rise in inflation, economic growth decelerated by 1.5% in 2023. Emerging Asia is expected to be the engine of growth, with the reopening of China's economy adding impetus.

Real GDP Growth



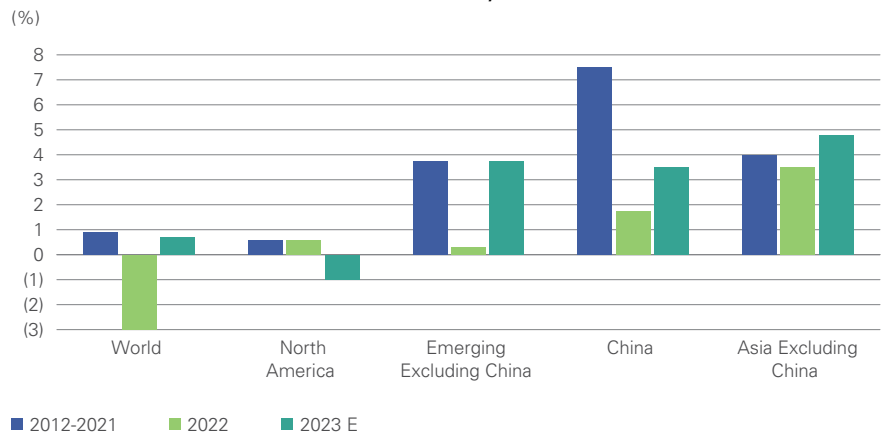
Source: The World Bank

The Global Life Insurance Market

In life insurance, rising wages and interest rates in advanced markets are creating favourable growth and profitability tailwinds, including demand for annuities and pension risk transfer products. We also see new life risk pools in Hong Kong as a result of China's reopening. Global savings products premiums should grow, driven by an estimated 4.3% gain in the emerging markets.

The profit outlook for life insurers is positive, based on four key drivers: improved investment returns, normalization of COVID-19 related claims, a de-risking of pension and annuity premiums, and a stabilization of earnings volatilities with implementation of the IFRS 17 accounting framework this year. On the downside, however, amidst the low growth and still-high inflation environment, we flag credit downgrades and lapses as two potential tail risks for sector earnings.

Performance of the Global Insurance Industry



Sri Lankan Economy

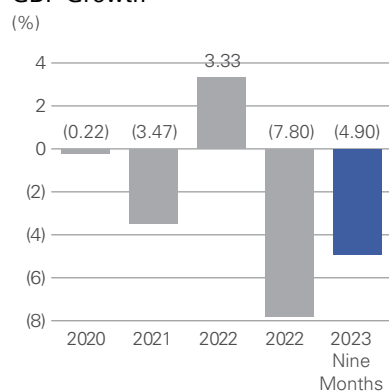
After enduring a challenging period marked by six consecutive quarters of economic slowdown, the local economy has finally turned the corner in the 3rd quarter of 2023, signalling a promising recovery. The economy experienced a growth of 1.6% during this period, marking a positive shift in trajectory. Notably, 2023 stands out as a year of transformative reforms, where corrective policy measures were implemented to relaxing the monetary policy, coupled with substantial fiscal adjustments and decisive steps towards debt restructuring. These strategic moves have not only fostered stability but have also led to an improved governance framework.



Economic Growth

During the third quarter the local economy grew by 1.6% and during the 1st nine months of 2023 the economy contracted by 4.9% YoY. The negative impacts of high-interest rates on investments and consumption persisted in the first half of the year, affecting various industries. Positive changes in the third quarter, including a more favourable exchange rate, declining input costs, and improvements in service exports, contributed to the overall positive growth observed in Q3.

GDP Growth



Source: CBSL

Impact to UA

- High inflation, administrative price adjustment and tax reforms dampened the disposable income resulting in potential risk of lapses.
- Increased demand for health insurance and long-term financial protection during the adverse economic conditions
- High interest rates prevailed in first half of 2023, leading to higher investment income.

Opportunities

- Demand for health insurance and long term financial protection
- Higher investment results

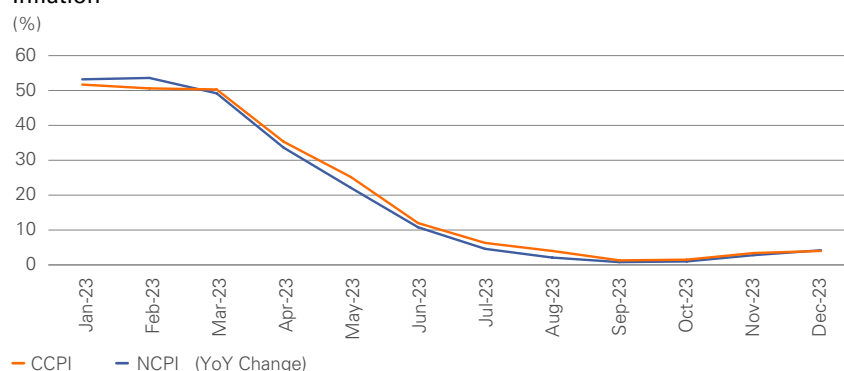
Risk

- Increase in policy lapses

Inflation

In 2023, Sri Lanka witnessed a notable improvement in its inflation rate, marking a substantial decrease from the alarming 59.2% (measured by Colombo Consumer Price Index) recorded in 2022 to a more manageable 4.0%. The Central Bank's expansionary monetary policy actions from early 2023 contributed to this decline. The initial half of the year saw inflation soar to unprecedented levels, driven by a combination of factors, including supply and demand dynamics, fluctuations in fuel prices, and seasonal influences such as the 'Maha' and 'Yala' harvest seasons.

Inflation



Source: CBSL

Impact to UA

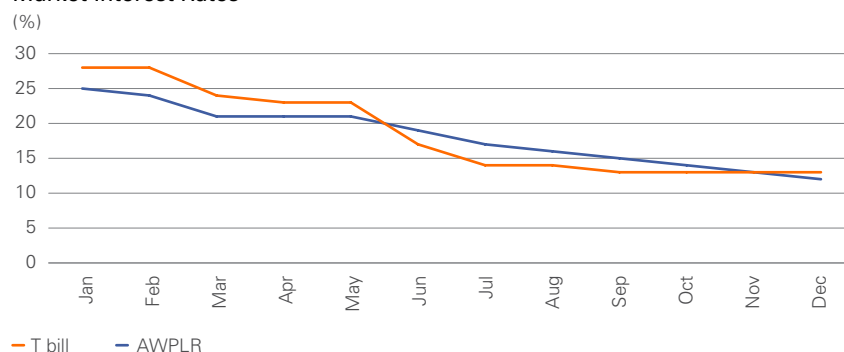
- Low cost will improve product margins and provide better shareholder value
- Sustainable inflation will allow better pricing of life insurance that is favourable to potential customers

Interest Rates

First half of 2023, high interest rate trajectory prevailed. However with the announcement of DDO, market interest rates experienced a substantial decline towards a sustainable range. With controlled inflation, the Central Bank implemented expansionary monetary policies starting from the second half of the year, reducing both the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) by 550 basis points.

Within the context of Treasury bill rates at primary auctions, investors witnessed a noteworthy decrease of 1,485 basis points, settling at 12.93%. Simultaneously, the Average Weighted Prime Lending Rate (AWPLR) exhibited a significant decline of 1,315 basis points over the course of the year, reaching a favorable rate of 12.13%.

Market Interest Rates



Source: CBSL

OPERATING ENVIRONMENT

	2022 end	2023 end
91 days bill rate	32.64%	14.51%
364 days bills rate	29.27%	12.93%
5 year bond rate	22.2%	14.11%
AWPLR	27.24%	12.13%

Impact to UA

- High interest rates prevailed in first half of 2023 created a conducive environment for investments.
- Low interest rates prevailed in second half of 2023 negatively impacted the investment returns.

Risk

- Increased reinvestment risk and low return from new cash flows since a significant portion of income is derived from fixed income assets.
- Increased the value of liabilities faster than assets and increase leading to an asset liability mismatch.

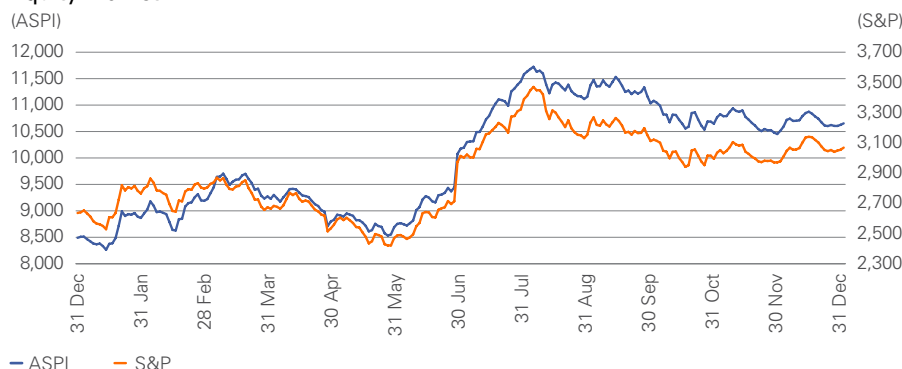
Opportunities

- Lower interest rates could stimulate demand for certain insurance products, such as mortgages or retirement savings plans, as consumers look for additional value during low interest rates.
- High interest rates prevailed in first half of 2023 provided an opportunity to lock in significant portion of cash flows at relatively high interest rates in long term investment horizon.

Equity market

The Sri Lankan equity market concluded the year 2023 on a positive note, with the All Share Price Index (ASPI) closing at 10,654.16, reflecting a noteworthy year-on-year (YoY) growth of 25.5%. Similarly, the S&P Sri Lanka index stood at 3,068.36, marking a commendable YoY return of 16.42% compared to the previous year. Despite reduced net foreign inflow of US\$18 million, down from the US\$182 million recorded in the prior year, the Colombo Stock Exchange (CSE) showcased resilience and positive momentum.

Equity Market



Source: CBSL

Impact to UA

- Bullish equity market improved UA investment returns as UA have appointed an equity specialized asset manager to manage equity
- Better capital gain return to UA's shareholders as UA share price increased by 44% outperforming the market return of 25%

Opportunities

- Favourable long term equity premium will enable UA to declare better policyholder dividends.

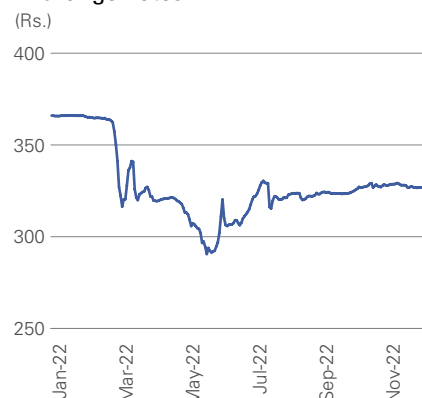
Risk

- Increase in volatility of net earnings and dividend, paid to policyholders.
- Negative impact on CAR ratio given the high risk charge for equity investments.

Exchange rate

In 2023, the Sri Lankan Rupee (LKR) demonstrated a noteworthy appreciation of 10.8% against the US Dollar (USD), culminating in a closing rate of Rs. 323.92 for 1 USD. Several factors contributed to this positive trend, including a decline in imports, upswing in worker remittances, enhanced earnings from tourism, and substantial receipts from prominent international entities such as the International Monetary Fund (IMF), the World Bank, and the Asian Development Bank.

Exchange Rates



Impact to UA

- ⊙ Favourable exchange rate will reduce the cost of foreign currency related payments and positively contribute towards UA's bottom line

Opportunities

- ⊙ Savings from remittances to foreign vendors as professional fees and IT related payouts

Impact on Implementation of SLFRS 17**Impact to UA**

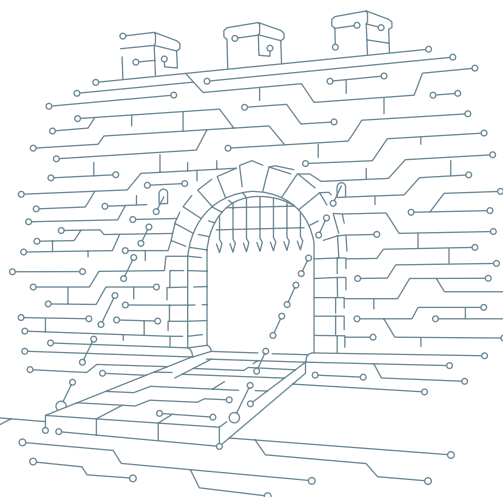
As Insurance companies globally are migrating from SLFRS 4 to SLFRS 17 with the hope of developing one accounting model for all insurance contracts in all IFRS jurisdictions, UA commenced the project in 2021 and demonstrated a significant progress in implementation journey. The adoption will be with effect from 01 January 2026.

Risk

- ⊙ Not meeting implementation timelines.
- ⊙ Unknown regulatory and tax reporting requirements that the Company may need to comply.
- ⊙ Inflation driven cost escalation of annual maintenance and licensing fees.
- ⊙ Requires resources.

The Colombo Stock Exchange

In addition to the above recent developments in regulatory framework, there were several circulars issued by CSE to improve the governance of listed entities. UA is complying with such regulatory developments where applicable.

**Regulatory Reporting and Legal Environment****Developments in Regulatory Environment**

The regulatory environment was strengthened during the year with IRCSL issuing new directions and changes to determinations. These developments are related to the following;

- ⊙ Appointment, election, or nomination of directors
- ⊙ Changes to annual returns format
- ⊙ Changes to actuarial abstract format
- ⊙ Role and responsibilities of principal officer

Regulations	Regulations and Guidelines	Brief	Compliance
Determinations	Determination 13 (revised) – dated 01 Sep 2023	Revised forms and Affidavits for obtaining IRCSL approval prior to appointment of a director of an insurer	✓ Complied
Directions	Direction 02 of 2023 – dated 27 July 2023	Principal Officer and his/her Role and Responsibility	✓ Complied

Impact to UA

UA has operationalized these compliance requirements with necessary changes incorporated into the regulatory governance mechanism.

The Company has given due focus to processes and procedures in handling of Personal Information in line with the Personal Data Protection Act of 2022 and has taken several measures for ensuring compliance.

Opportunities

- ⊙ Promotion of healthy competition and greater transparency and thereby ensuring stakeholder confidence.
- ⊙ Further streamlining of frameworks and processes, improving productivity and brand reputation.
- ⊙ Creating a culture of privacy management.

Risk

- ⊙ Non-compliance with latest pronouncements.
- ⊙ Reputational impacts arising out of non-compliances and breaches.

OPERATING ENVIRONMENT

The Financial Intelligence Unit of Sri Lanka (FIU)

Regulations and Guidelines	Brief
Circular 1 of 2023 – dated 3rd March 2023	Calling for due vigilance for compliance lapses
Circular 2 of 2023 - dated 22nd August 2023	Reminder on adherence to previously issued guidelines and reporting formats on mandatory reporting under the FTRA Act 06 of 2006

Personal Data Protection

The ACT and the framework

The Personal Data Protection Act No. 9 of 2022 (PDPA) was passed in Parliament and certified by the Speaker on 19 March 2022 with the aim of aligning the Personal Data Protection framework of Sri Lanka with international best practices on personal data protection while providing for the establishment of a Data Protection Authority.

The PDPA specifies the rights of Data Subjects while requiring Data Controllers (entities located in Sri Lanka or outside Sri Lanka, including those offering goods or services to Sri Lankans and specifically targeting Data Subjects in Sri Lanka) and Processors to process Personal Data in a manner that is lawful and permitted under the PDPA.

Effective dates

While the expected operational periods of the Act were enumerated in Section 1, with the aim of rolling out the various sections in a staggered manner, the following Extraordinary Gazettes have now clarified the operative dates of the varying Parts of the Act.

Extraordinary Gazette No. 2341/59 21 July 2023 - The provisions of Part V of the Act came into operation with effect from 17 July 2023.

Extraordinary Gazette No.2366/08 dated 8 January 2024 - The provisions of Part VI, VIII, IX and X of the Act came into operation with effect from 1 December 2023. The provisions of Part I, II, III and VII Act are to come into operation with effect from 18 March 2025.

Our approach for compliance with the PDPA

This legislation has a direct bearing on the insurance industry given the large volume of personal data that is processed for the purposes of providing insurance related services. Thus, all insurance companies will have to implement necessary organizational and technical measures in addition to evaluating internal processes and policies in order to ensure compliance with the PDPA.

The Company has embarked on several measures to ensure compliance with the PDPA. A roadmap has been devised in 2021 and certain preliminary measures were taken by the Company in 2022 for ensuring compliance, including creating awareness on PDPA with key stakeholders. The Company has identified the need for a comprehensive GAP assessment on PDPA and has commenced such project in 2023, to ensure compliance on or before the effective date of the PDPA.



PESTEL Analysis

	P Political	E Economic	S Social	T Technological	E Environmental	L Legal / Regulatory
Issues	Frequent policy changes — Lack of transparency and accountability — Changes in tax regime	De-growth in economy — Volatility of the currency rates against USD — Inflationary pressure — Equity market performance — Collaborative partnership goals — High Taxation	Increased life expectancy rates — Rise in Non Communicable Diseases — Growing use of social media — Demand for transparency and accountability — Gen Z and Millennial – info at a touch, expectations	Escalation of cyber risks — Increased use of technologies such as Predictive Analytics, Artificial Intelligence, Machine Learning, Chatbots and Insurtech / FinTech — Demand for digital products and digital contact with the Company	Increase in regulations over environmental protection	Determinations, Directions, Circulars issued by the IRCSL — SLFRS-17 – Insurance Contracts will supersede SLFRS 04 with effect from 2026. SLFRS-17 represents a complete overhaul of accounting for insurance contracts
Business Impact	Challenges in setting long term strategic plans — Impact on the operating results of the Company — Geopolitical conflicts impact economic growth, resulting increase in cost High	Demand for health insurance and financial protection — Interest rates and performance of equity markets support performance of our investment portfolio — Inflationary impact on the cost and margins — Potential risk of lapses High	Higher life expectancy is expected to drive greater demand for health, pension and retirement products — Demand for innovative products that could reduce the financial security gaps — Growing influence of social media on the business High	Greater cost and process efficiencies — Facilitates the provision of personalized products and services — Ability to leverage partnerships with FinTech and Insurtech companies to enhance operating and distribution models — The need to upskill employees on digital platforms High	Companies that think and act responsibly enjoy a sustainability premium that enables them to attract like-minded customers and employees Low	Additional cost and effort on complying with regulatory requirements. However, it will further protect policyholders' interest — Greater transparency of financial performance of industry players High

OPERATING ENVIRONMENT

Insurance Market in Sri Lanka

Life Insurance - Key Indicators	2023	2022	2021	2020	2019
Long Term Insurance Premium (GWP)	152,913	136,225	124,752	103,000	88,787
GWP Growth Rate	12%	9%	21%	16%	11%
Penetration % (Premium of Long Term Insurance Business as a % of GDP)	0.6	0.6	0.7	0.7	0.6
Life Insurance Density (Total Life Premium Income / Population)	6,894	6,143	5,631	4,699	4,072

Hitherto, low penetration of the life insurance market experienced a robust growth due to market changes, especially in heightened risk awareness. Despite the challenges, and the impact of a stiff tax regime bearing down customer spending patterns, the industry continues to sustain a robust growth rate.

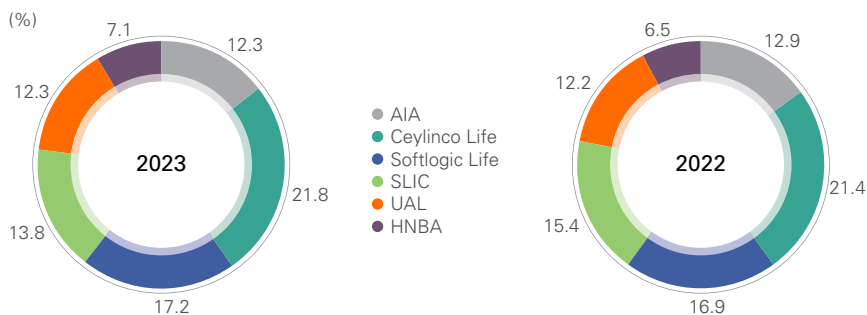
Gross Written Premium (GWP) reaching Rs. 152,913 Mn, a substantial increase from the Rs. 136,255 Mn reported in 2022, reflecting a market growth rate of 12%. This expansion is propelled by a 19% surge in regular new business premiums (FP+FYP), 13% growth in single premiums, and 7% growth in renewal premiums.

Insurers' streamlined claim settlement processes and innovative approaches to boost public confidence. Embracing latest trends, the industry witnessed innovations in products and customer-centric strategies, affirming its resilience. Positioned as a key player in Sri Lanka's evolving financial landscape, these innovative strategies reflect the industry's commitment to meeting the changing needs of the public amidst a dynamic economic environment.

Competitive landscape

The market composition consists of 13 long-term insurers, 12 general insurers, and 3 composite insurers by the close of 2023. Union Assurance (UA) secures the 4th position, showcasing strategic competence in Sri Lanka's evolving insurance landscape. Shifting economic dynamics have increased medical costs, highlighting the need for insurance as protection. The rising average case size in new insurance policies reflects customers' proactive measures to cover high medical costs.

Market Share Movement

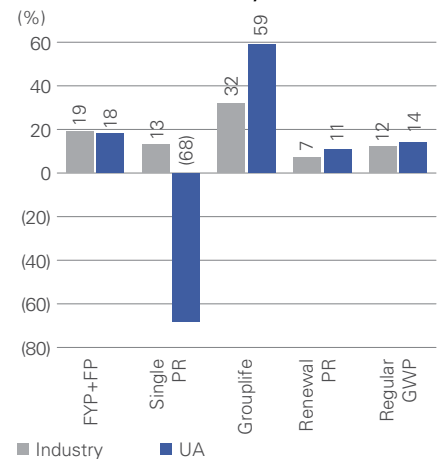


The sector also benefited from being excluded from the domestic debt optimization introduced in June 2023. However as asset portfolios of the insurance companies are invested in interest bearing assets, the companies had to exercise extreme care and diligence in the face of interest rate volatility.

Industry Vs UA performance

Reflecting industry growth trends, UA recorded a 13% growth in GWP, attributable to a 18% growth in regular new business premiums, 11% growth in renewal premiums and 59% growth in group life premiums. UA outperformed industry in terms of GWP growth, renewal premiums, regular GWP and Group premiums. Meanwhile, UA was the 3rd largest regular new business producer in the industry in 2023.

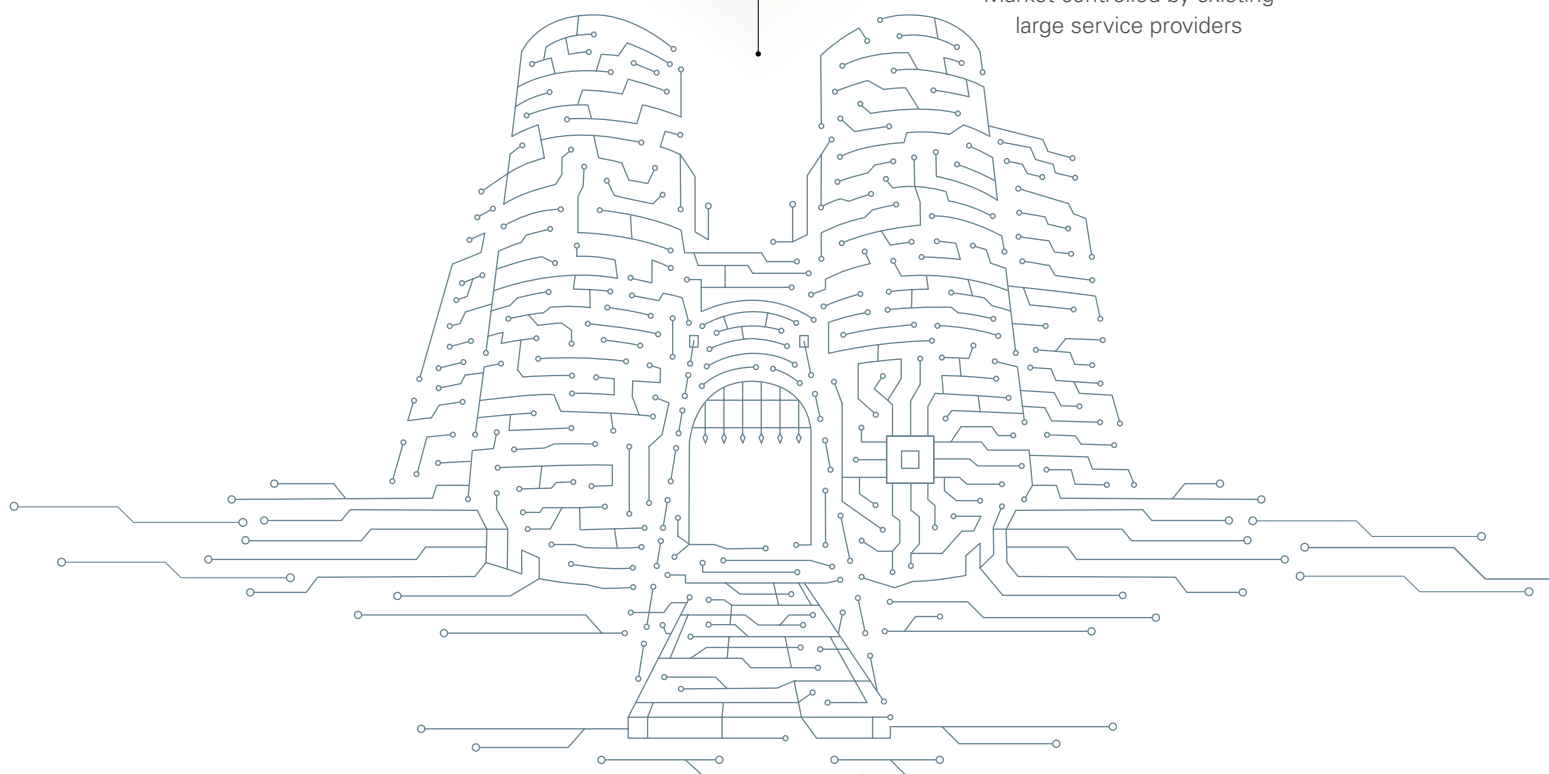
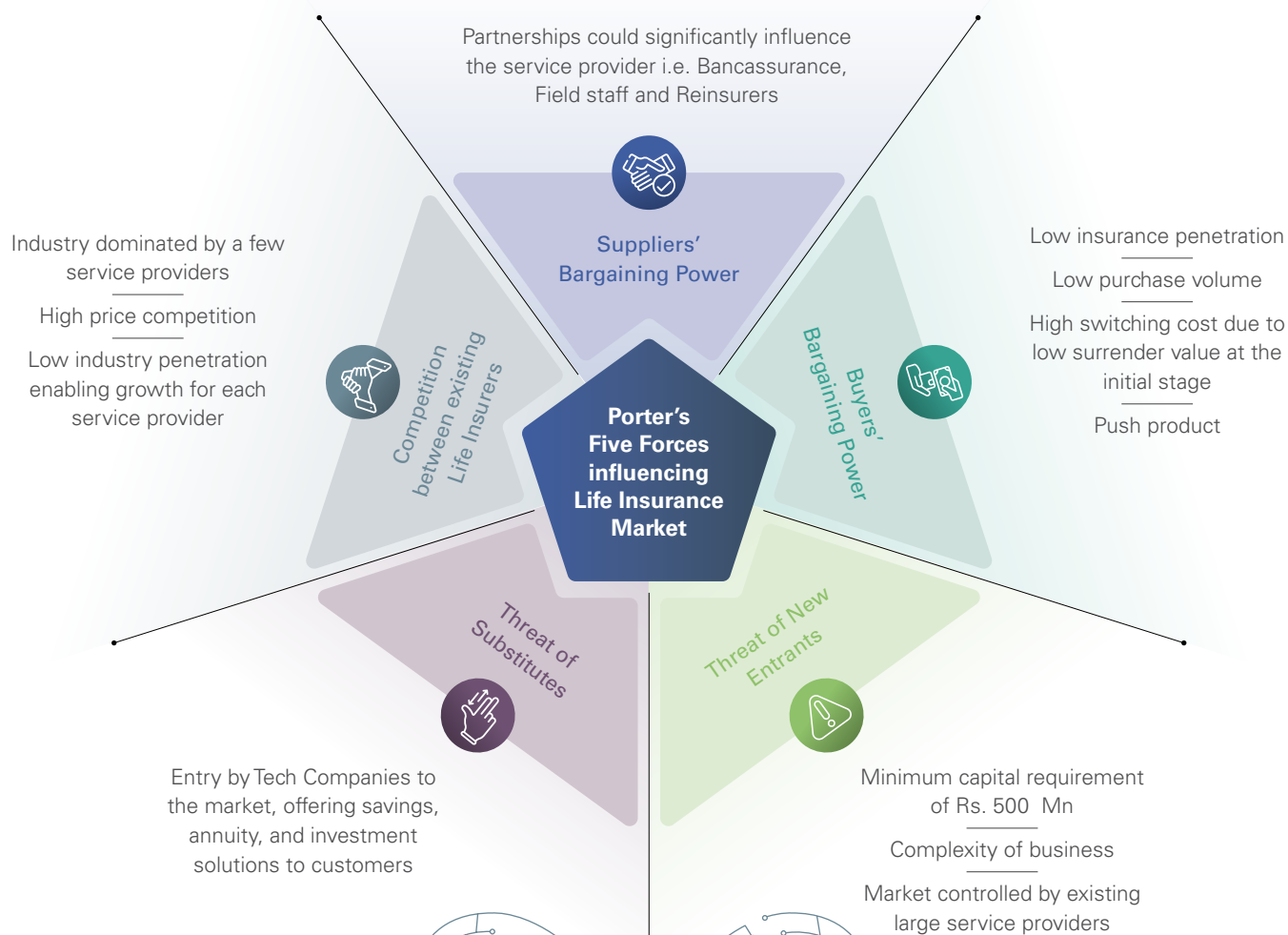
UA Growth Vs Industry Growth



OUR COMPETITOR ENVIRONMENT

Porter's Five Forces

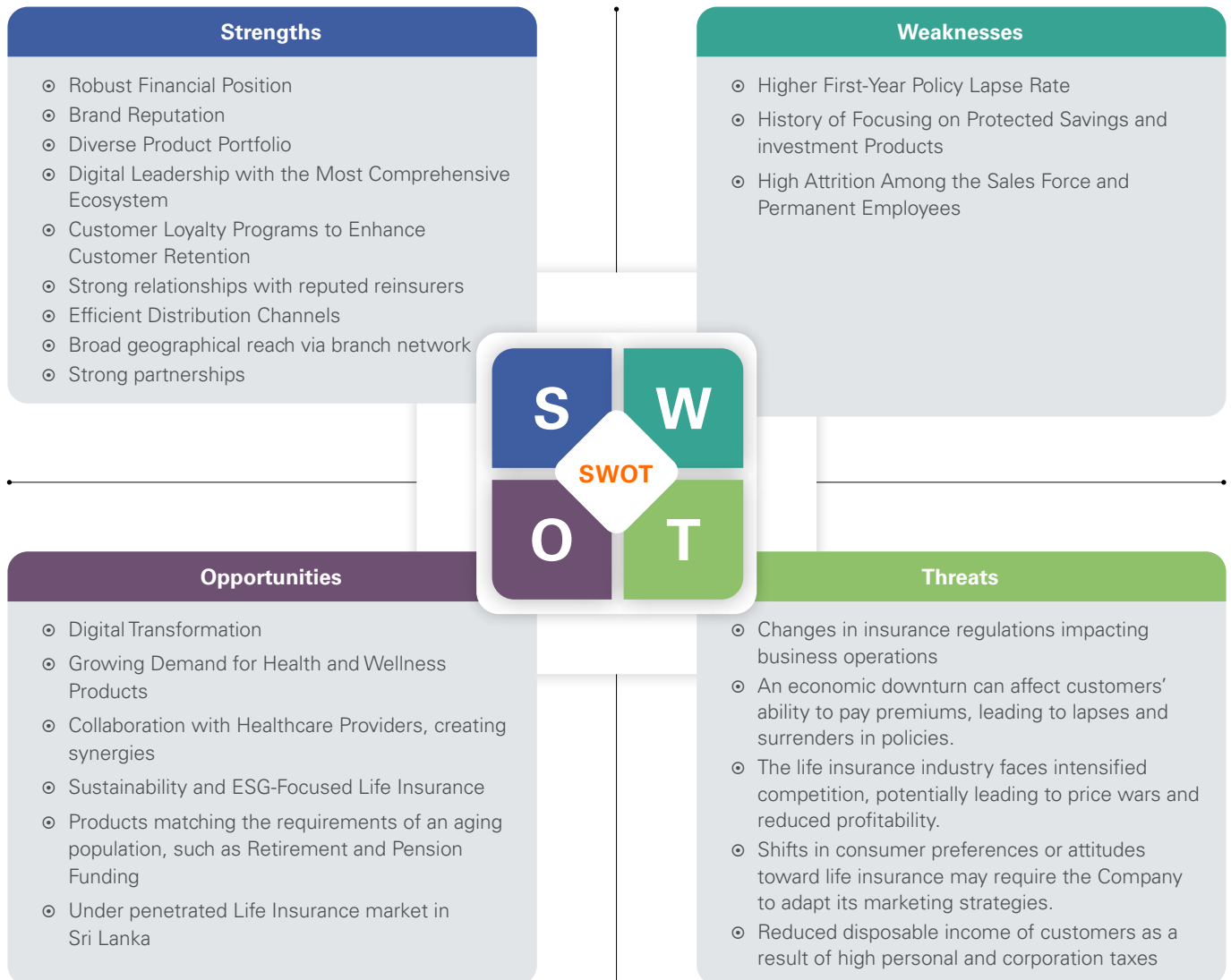
Within the current operating environment, the Company draws comprehensive understanding from Porter's Five Forces influencing the life insurance market, in crafting future strategy.



OUR STRATEGY AND RESOURCE ALLOCATION

OUR RESPONSE TO EXTERNAL ENVIRONMENT

A strategy, while being visionary but relevant to the current market forces is a key criterion for our Company's success. As such, we carefully map it out, considering the current and emergent risks and opportunities, while weighing in the threats and weaknesses. A comprehensive SWOT analysis theory form the basis of our Strategy formulation process, and is followed through within the business year, unless macroeconomic trends call for re-evaluation and adjusting.



Value Creation for the long-term

Strategies for 2023



Based on the SWOT and identifying our Core and Supportive instruments for the long-term, we derived our Strategic Priorities, cognizant of the challenging macroeconomic environment that currently prevails.

Strategic Priorities



Expand Agency Channel

Our commitment to excellence is evident in our agency business, where we have consistently demonstrated industry-leading practices, setting the standard for quality and service.

Key Initiatives and the Progress	Resource Allocation	KPIs	SDGs Impacted	The Way Forward
- Strategic incentivization with an emphasis on productivity, case values, and long-term activation - Effective leadership rotation, succession planning and skill development - Activity Management system roll out through Digital Financial Need Analysis (FNA) - Transition to LIMRA persistency to monitor customer retention - Strengthen Club platform and positioning of Long-term Reward platforms - Selective industry focused recruitment drive - Skill development on need-based selling, and competitor awareness - Branch relocation and refurbishment to improve reach and customer experience	Rs. 11 Mn Investment in Agency Training Rs. 2,949 Mn Commissions and Incentives paid to Agents Rs. 164 Mn R&R for Agency Staff Rs. 67 Mn Investment in Branch Expansion and Relocation	Rs. 14,184 Mn GWP 8% GWP Growth Rs. 5,736 Mn ANBP 79% Persistency (13 m)	 	- Recruitment drive and reskilling for a high performing Agency Sales Force - Expand the Branch network - Revamp allowance, recognition, reward, and incentive programmes to stimulate increased quality revenue generation - Improve productivity of sales force - Focus on renewal collection

STRATEGY AND RESOURCE ALLOCATION



Optimize Bancassurance Partnerships

We strive to optimize our Bancassurance partnerships, ensuring a synergistic collaboration that leverage strengths and resources to achieve the best outcomes for both parties involved.

Key Initiatives and the Progress	Resource Allocation	KPIs	SDGs Impacted	The Way Forward
- Initiatives to strengthen and penetrate partnerships with banks - Acquire new bancassurance partnerships - Industry talent recruitment - Continued focus on performance-oriented sales team development - Continuous focus on learning and development initiatives, persistency, productivity and policy lapses - Enhanced data analytics capabilities - Remodelling of Bancassurance structure to bring in efficiencies	262 IRO Cadre Rs. 161 Mn R&R Rs. 2.4 Mn Invested in Bancassurance training and development Rs. 261 Mn Incentives paid to IROs Rs. 89 Mn Paid to bank as referral fees	Rs. 3,936 Mn GWP 30% GWP Growth Rs. 1,810 Mn ANBP 90% Persistency 64% LIMRA persistency 7 No of Bancassurance partnerships	 	- Improve performance in bancassurance partnerships - Acquire new partnerships - Continue to focus on performance-oriented sales team development - Business Model development to cater to channel related issues - Continuous investment in bancassurance L&D



Capitalize on Alternate Channels

We are effectively capitalizing our alternative sales channels to generate new streams of revenue while enhancing the contribution from these channels to overall revenue.

Key Initiatives and the Progress	Resource Allocation	KPIs	SDGs Impacted	The Way Forward
- Sustainable quality business acquisition in Group life. - Maintaining strong databases on claim histories and in-depth monitoring and reviews - Process automation & capacity enhancement - Focused direct business acquisition - Diversify and expand sales funnel with strategic partnerships	Rs. 40 Mn Commission paid to brokers 208 Group life clients	Rs. 747 Mn GWP 37% GWP Growth	 	- Acquiring new and quality partnerships - Focus on DTA business - Automate key processes to enhance customer convenience

A Value Capturing Investment Strategy



Investment strategy is crafted to explore market dynamics and enhance return at calculated risk to deliver sustainable growth in value to policyholders and shareholders.

Key Initiatives and the Progress	Resource Allocation	KPIs	SDGs Impacted	The Way Forward
- Invested in long term assets with above average yield - Higher concentration in Government Securities - Active fixed income strategies targeting short term capital gain	Rs. 1,525 Mn Net business cash flow Rs. 61 Mn Fund management fees Rs. 25,091 Mn Coupons and maturities from investment portfolio	18% Fund yield 20% Equity return Rs. 83 Bn Asset Under Management 13.5% Policyholder Dividend Rate	 	- Balancing risk and return to enhance policyholder and shareholder value - Agile investment strategy aligning with economic and investment outlook

Cost Optimization



We are focused on driving cost optimization through streamlined operational processes, ensuring efficiency, process automation and rigorous monitoring and rationalisation of cost.

Key Initiatives and the Progress	Resource Allocation	KPIs	SDGs Impacted	The Way Forward
- Investment in process automation - Cost optimization through rigorous monitoring in branch level and cost centre granularity. - Strengthen relationships with reinsurance partners to manage reinsurance repricing - Achieving expense efficiencies with economies of scale	4 Process Automation Initiatives to Enhance Customer Experience Rs. 4,377 Mn Total Expenses	23.20% Total Expenses as a % of GWP	 	- Continue to monitor cost closely and rationalisation of cost - Process automation - Streamlining processes - Cost optimisation initiatives

STRATEGY AND RESOURCE ALLOCATION



People Development

Investing in our workforce is paramount. By enhancing our employer brand value, we attract and retain top-tier talent, fostering a culture of excellence and innovation.

Key Initiatives and the Progress	Resource Allocation	KPIs	SDGs Impacted	The Way Forward
- Identification of critical roles and succession planning - Industry awareness internship programs for universities and schools - Building a comprehensive 'Women Centric Platform' and leveraging on DE&I - Building an internal team of Trainers - Revising employee recognition platforms	Rs. 20 Mn UA Staff Training Investment 70 Training Programmes Rs. 1,589 Mn Employee Remuneration Rs. 45 Mn Spent on Staff Welfare	47 Promotions 277 New recruits 32% (-9% from 2022) Attrition ratio	   	- Key Talent Framework and ring-fencing for critical talent - Revising the overall policy process framework for both agency staff and employees - Enhance employee value proposition



Customer centric, profitable, balanced product portfolio

Our strategic approach revolves around maintaining a balanced portfolio that not only enhance profitability but also ensures customer need satisfaction, aligning with our commitment to deliver a diverse product portfolio.

Key Initiatives and the Progress	Resource Allocation	KPIs	SDGs Impacted	The Way Forward
- Dynamic product management to suit the needs of changing customer demographics - Repricing of products to align with the market dynamics - Maintain product share to avoid cannibalization and improve profitability - Launch of retirement calculator to harness the growing market of an aging population	A mature Product Portfolio  Refer page 9 Product Development Committee comprised with talent drawn from multiple disciplines Rs. 4.2 Mn in product development	3rd Regular new business producer 42,000+ No of New customers acquired 18% ANBP growth	 	- Realigning the product strategy to facilitate long term value creation - Omni-channel pricing - Increase penetration of protection riders - Versatile DTA strategy

Consolidate brand and secure key spaces

We are dedicated to growing our brand equity through targeted initiatives that enhance our visibility and reinforce our position as a trusted and customer-centric life insurance provider.

Key Initiatives and the Progress	Resource Allocation	KPIs	SDGs Impacted	The Way Forward
- Entry to retirement and pension products through fully fledged media campaign on awareness and Internal campaign to drive behavioural changes - Increase visibility and awareness on 'Clicklife' App as the digital catalyst of the Company - Scale up digital lead funnel and revenue generation - Brand drive through Western Province focused Out-of-home visibility strategy - Enhance overall visibility through social media platforms	Rs. 221 Mn Invested in Marketing and Promotions Rs. 5.6 Mn Spent on Market Research	Rs. 1,373 Mn Brand Equity 3rd PR Rank	 	- Expand use of Clicklife App to enhance brand visibility - Usage of digital means to increase the reach - Embed Enterprise Content Management (ECM) culture across the organization - Investment in upkeeping the brand - Improve Net Promoter Score (NPS)

#1 Digital Insurer

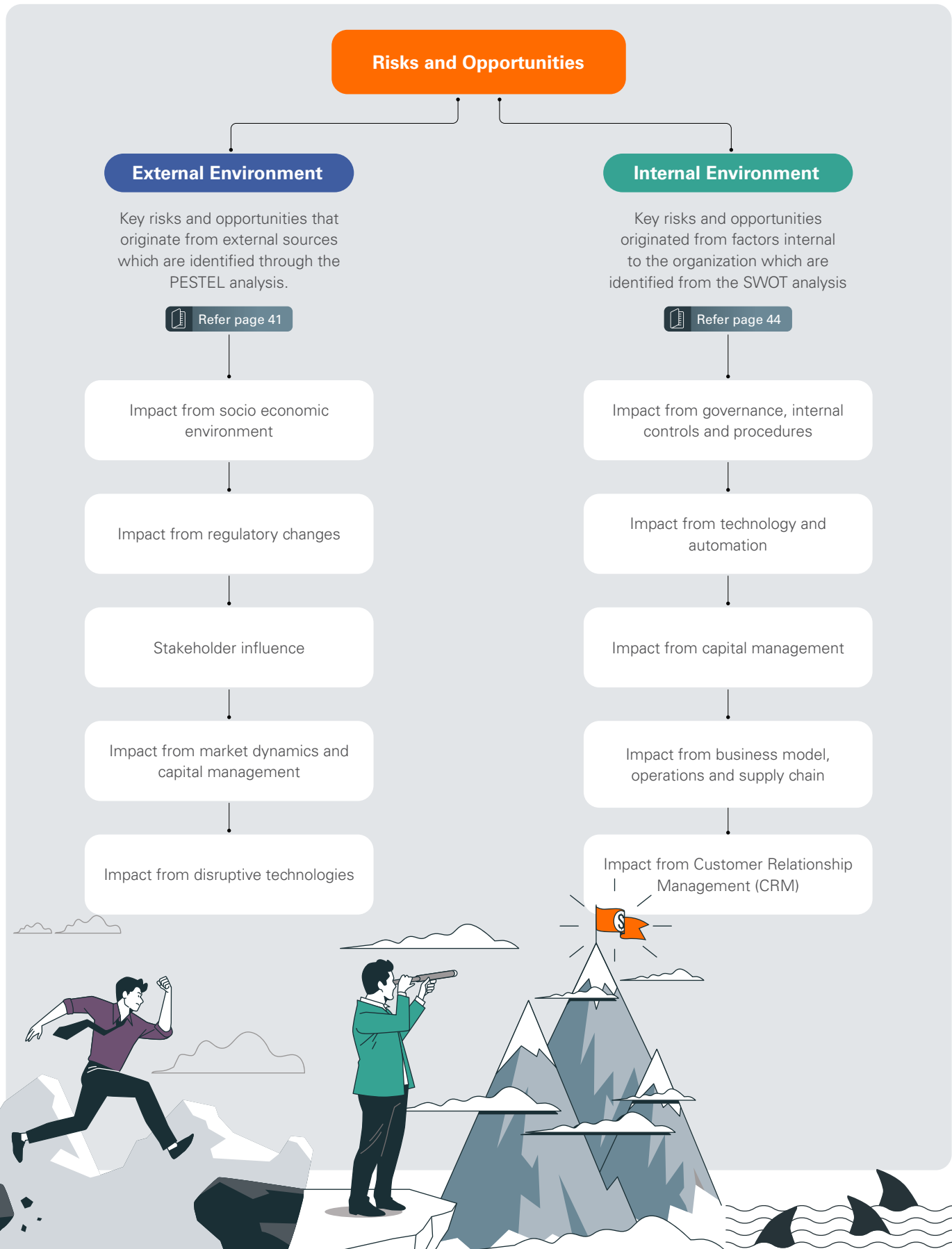
UA is at the forefront in digital transformation which ensures customer convenience and operational efficiency.

Key Initiatives and the Progress	Resource Allocation	KPIs	SDGs Impacted	The Way Forward
- Launch of FAME 4.0 Advisor and Team Leader Workspaces to facilitate digitally streamlined activity management. - Introduction of Digital FNA with Product Recommendations to tap the correct target market - Automated smart underwriting engine - Introduction of Freemium App and Purchase journey - Development of real-time dashboards to facilitate business decisions - Invest in automating self servicing functions of Clicklife App	Rs. 556 Mn Invested in upgrading digital platforms, license fees, infrastructure and maintenance Rs. 11 Mn Invested in IT hardware	53% STP 22,000+ Clicklife App users 110+ Power BI dashboards	 	- Advisor Self-services Workspace for efficient customer service - Development of further data analytics dashboards for better decision making - Simplify work through process automation - Develop customer engagement activities in Clicklife App

Meticulously crafted with deep insights into and knowledge of the business we operate, our Strategy and Resource Allocation creates the foundation for a sustainable future for our business.

RISK AND OPPORTUNITIES

We identify two main risk and opportunity types based on the source of origin.



Expand agency channel / Optimize bancassurance partnerships/ Capitalize on alternate channels/
Customer centric, profitable, balanced product portfolio

Risk	Impact	How we respond
Macroeconomic Factors – Inflationary pressure, economic degrowth and high tax burden	⊖ Negative impact on customer disposable income which creates demand for health insurance, retirement insurance and protection.	⊖ Maintain a diverse product portfolio with affordable products
	⊖ Sales force shifting to more stable income jobs	⊖ Increase customer engagement
	⊖ Focus on quality long-term business over volume based short-term business	⊖ Taking initiatives to retain quality sales force within the Company by offering attractive incentive and reward schemes. E.g.: UA premier club
Competitor Pressure	⊖ Increase in medical charges causing claims to be higher than previous years	⊖ Strategic talent sourcing program
Market risks – Interest Rate Risk	⊖ Competitor actions causing lower sales and loss of market share	⊖ Pricing adjustment for new policies issued
Market risks – Interest Rate Risk	⊖ In response to high interest rates customers shifting to alternative options, including higher-yielding savings products	⊖ Differentiating through a unique customer value proposition
Market risks – Interest Rate Risk	⊖ Maintain a diverse product portfolio to combat volatile market conditions	⊖ Surrender discourage call and other initiatives to reduce policy surrendering
Opportunity	Impact	How we exploit the opportunity
Increasing Ageing Population	⊖ Increase in life expectancy rates creating a higher demand for retirement planning, health coverage, and financial protection solutions.	⊖ Capitalizing on product segments such as retirement products, health riders etc.
Low Insurance penetration in Sri Lanka	⊖ Possibility of increasing market share by strategically targeting segments that are underinsured or unaware of the benefits of life insurance	⊖ Increase customer awareness
Evolving Family Structures and Household Dynamics	⊖ Maintain a diverse product portfolio with affordable products	⊖ Maintain a diverse product portfolio with affordable products
Urbanization	⊖ As household sizes are anticipated to decrease, with an average of 3.7 persons per household in 2018, there is a heightened demand for personalized coverage and protection plans customized to individual circumstances	⊖ Identify untouched suitable locations to optimize branch network
Urbanization	⊖ Improved urbanization may allow the Company to widen the branch network to cater to new customer segments	

RISK AND OPPORTUNITIES



Value Capturing Investment Strategy

Risk	Impact	How we respond
Market risks – Interest Rate Risk	⊙ The current and anticipated decrease in interest rates resulting in a reduction in investment yield, thereby impacting profitability	⊙ Forward booking to lock in to higher rates ⊙ Dynamic investment strategy. E.g: Exploiting short term investments
Domestic Debt Restructuring (DDO)	⊙ Impact on investment return and reduction in Assets Under Management	⊙ Long term investment strategy considering risk return trade off
Opportunity	Impact	How we exploit the opportunity
Interest Rate movement	⊙ Higher interest rate prevailed during 1H of 2023 creates an opportunity to increase investment income ⊙ Ability to declare higher dividend rate for policyholders	⊙ Relatively high interest rate instruments via proactive investment initiatives ⊙ Position higher dividend rate as a unique selling proposition
Market risks – Equity Market performance	⊙ Higher returns from equity market performance with a positive impact on overall investment income	⊙ Actively manage the equity portfolio to capitalize on opportunities and navigate challenges



Cost Optimization

Risk	Impact	How we respond
Increased number of skilled migrations	⊙ Higher recruitment, training and retention cost of employees due to increased staff turnover	⊙ Enhance employee value proposition via training and development, transparent performance-oriented culture, etc.
Macroeconomic Factors – Inflationary pressure, economic degrowth and high tax burden	⊙ Suppliers negotiating comparatively higher prices to par with economic conditions	⊙ Maintain Long-term supplier relationships and ethical negotiations ⊙ Cost optimization and cost saving initiatives
Opportunity	Impact	How we exploit the opportunity
Technological advancement	⊙ Process automation and cost saving initiatives to optimize and curtail cost	⊙ Implementing digital initiatives as e-policy document, automating dividend letters, bonus letters and implementing policy certificate to reduce cost of printing and stationery along with creating a positive impact to the society ⊙ Installation of energy saving units in selected branches to reduce electricity consumption



#1 Digital Insurer

Risk	Impact	How we respond
Growing Internet and Mobile Penetration and Increase in Technology Adoption	⊙ Rise in Cyber-attacks and data theft	⊙ Procedures and controls are in place as per ISO27001:2013 standard ⊙ Conducting frequent IT end user security awareness sessions ⊙ Implement zero trust platform ⊙ Stringent internal controls to ensure data protection from external threats
Use of Big Data Analytics and Artificial Intelligence	⊙ Digital technologies requiring new skills or significant efforts in training and development ⊙ Delays in IT transformation process	⊙ Effective recruitment strategy to identify potential expertise through universities ⊙ Enhance employee value proposition ⊙ Proper planning, execution and rigorous monitoring of IT process automation
Opportunity	Impact	How we exploit the opportunity
Growing Internet and Mobile Penetration and Increase in Technology Adoption	⊙ Ability to capitalize on online products ⊙ Ability to improve brand visibility and customer engagement	⊙ The Company has taken measures to move towards a bionic distribution strategy which embraces the technological advancements ⊙ Improve engagements through the Clicklife App by enabling new features to enhance the user experience ⊙ Brand visibility through digital media
Use of Big Data Analytics and Artificial Intelligence	⊙ Ability to understand customer needs and trends better to make informed decisions ⊙ Reduce the time spent on routine activities of analysing data	⊙ Use of big data and data analytics to identify untapped opportunities ⊙ Implement initiatives under digital road map to remain ahead of the industry ⊙ Continuous replacement of manual work using Power BI dashboards

RISK AND OPPORTUNITIES



Consolidate brand and secure key spaces

Risk	Impact	How we respond
Implications of Regulatory Developments	Stringent regulatory compliance in life insurance related advertising and branding to protect customers from mis-selling and mis-information	Ensure all operations are compliant with regulatory requirements through effective and stringent internal controls
Loss of market share and negative impact on brand equity	Reduction in revenue and profits	Continuous investment in uplifting brand position
Opportunity	Impact	How we exploit the opportunity
Growing Internet and Mobile Penetration and Increase in Technology Adoption	Leveraging the increase use of social media, SEO and other digital means to increase brand visibility and awareness among a diverse audience and customer engagement	- Utilize technologies to create personalized campaigns by tailoring messages and content based on individual customer profiles to enhance engagement and conversion rates - Improve brand visibility and product awareness through rigorous promotional campaigns



People Development

Risk	Impact	How we respond
Increased number of skilled migrations	- High staff turnover - Difficulties in replacing the skilled staff - Knowledge gap - High costs incurred in employee recruitment and retention	Enhance employee value proposition via encouraging continuous education, providing relevant training and development opportunities, and fostering a culture where all employees, regardless of rank, can actively contribute to the business.
Implications of regulatory developments	Risk of non-compliance to regulations in place for people management and development	Ensure all operations are compliant with regulatory requirements through effective and stringent internal controls inbuilt in organizational processes and procedures.
Opportunity	Impact	How we exploit the opportunity
Increase in GenZ in the Workforce	Increase in supply of young talent in the labour market who are professionally qualified	- Enhance employee value proposition via encouraging continuous education, providing relevant training and development opportunities, and fostering a culture where all employees, regardless of rank, can actively contribute to the business - Use of interactive IT technology for trainings and grooming sessions - Use of social media for employee and sales force recruitment

VALUE DELIVERED

Financial Highlights



Value Unlock	Unit	2023	2022	YOY Change
Financial Capital				
Financial Performance				
Annualized new business premium	Rs. Mn	7,560	6,398	18%
Gross written premium (GWP)	Rs. Mn	18,867	16,675	13%
Re-insurance premium	Rs. Mn	1,033	888	16%
Net written premium (NWP)	Rs. Mn	17,834	15,788	13%
Cession ratio	%	5.5	5.3	3%
Operating profit	Rs. Mn	4,944	3,490	42%
Operating profit margin	%	26	21	25%
EBITDA	Rs. Mn	5,799	4,255	36%
Profit before tax	Rs. Mn	5,256	3,720	41%
Income tax expense	Rs. Mn	1,497	973	54%
Net profit after tax	Rs. Mn	3,758	2,747	37%
Surplus from life insurance business	Rs. Mn	2,800	2,300	22%
Retained earnings	Rs. Mn	13,805	10,043	37%
Group life & surgical ratio	%	81	89	-9%
Premium growth ratio	%	13	8	60%
Investment and Other Income				
Life	Rs. Mn	10,022	6,277	60%
Shareholder	Rs. Mn	2,102	1,251	68%
Expense Ratios				
Acquisition cost	Rs. Mn	3,544	3,152	12%
Acquisition cost as a % GWP	%	18.8	18.9	-1%
Net claims and benefits	Rs. Mn	6,718	5,699	18%
Net claims and benefits as a % of NWP	%	38	36	4%
Total operating, administrative and selling expenses	Rs. Mn	4,377	3,967	10%
Total expense as a % of GWP	%	23%	24%	-2%
Financial Position				
Total assets	Rs. Mn	95,670	75,969	26%
Total equity	Rs. Mn	24,161	14,214	70%
Equity to total assets	%	25	19	35%
Assets under management	Rs. Mn	83,420	64,456	29%
Insurance contract liabilities	Rs. Mn	65,043	55,431	17%
Regulatory Ratios / Position				
Capital Adequacy Ratio (CAR) (Minimum requirement 120%)	%	291	194	50%
Determination 1 – admissible assets over liabilities	Rs. Mn	9,939	4,762	109%
Investment in government securities (Minimum 30%)	%	77%	77%	0%
Efficiency Ratios				
Total asset turnover ratio	Times	0.22	0.23	-3%

VALUE DELIVERED

Financial Highlights



Value Unlock	Unit	2023	2022	YOY Change
Financial Capital				
Liquidity Position				
Cash generated from operating activities	Rs. Mn	11,806	9,024	31%
Material Drivers				
Premium persistency Year 1	%	82	82	0%
Premium persistency Year 2	%	73	75	-3%
Premium persistency Year 3	%	70	71	-1%
Productivity	No.	2.07	2.05	1%
First year premium per agent	Rs. Mn	1.88	1.46	29%
Investment Yield				
Life	%	18.34	12.11	51%
Shareholder	%	17.43	12.79	36%
Investor Ratios				
Dividend per share	Rs.	8.75	-	100%
Dividend yield	%	22	-	100%
Net asset per share	Rs.	41.00	24.12	70%
Earnings per share	Rs.	6.38	4.66	37%
Return on Assets (ROA)	%	3.93	3.62	9%
Return on Equity (ROE)	%	20	19	6%
Price earning ratio	Times	6.30	5.99	5%
Total shareholder return	%	75	(5)	>100%
Price to book ratio	Times	0.98	1.16	-15%
Share Information				
No. of shares in issue	Rs. Mn	589	589	-
Market capitalization	Rs. Mn	23,689	16,441	44%
Market Value Per Share				
Highest value recorded during the year	Rs.	45.0	40.5	11%
Lowest value recorded during the year	Rs.	27.1	17.3	57%
Value as at end of the year	Rs.	40.2	27.9	44%

Non-financial Highlights

	Value Unlock	Unit	2023	2022	YOY Change
	Social & Relationship Capital				
Premium persistency	%		82	82	-
One day claims settlement ratio	%		94	91	3%
Complaints resolution rate	%		89	100	-11%
Total payments made to local suppliers	Rs. Mn		3,842	2,628	46%
New suppliers screened using human rights criteria	%		100	100	-
Invested in CSR initiatives	Rs. Mn		10.2	7.5	36%
	Manufactured Capital				
Total no. of branches in branch network	No.		85	87	-2%
Investment in property plant and equipment	Rs. Mn		67	127	-47%
	Human Capital				
Permanent cadre	No.		675	659	2%
Fixed term contract	No.		105	139	-24%
New Recruitments	No.		277	321	-14%
Diversity and inclusion levels	Ratio (Male: Female)		49:51	52:48	-
Social welfare cost per employee	Rs.		12,767	9,373	36%
Revenue per employee	Rs.Mn		24	21	14%
Contribution to defined benefit plan	Rs.Mn		191	152	26%
Employee attrition	%		32	35	-9%
Training hours	Hrs		18,278	11,982	53%
	Natural Capital				
Energy consumption	GJ		5,703	5,284	8%
Water consumption	m ³		17,319	15,062	15%
Solid waste disposal	KG		2,299	2,685	-14%
Bottled water consumption	m ³		309.5	240.2	29%
Water treated	m ³		2,849	2,741	4%
Paper recycled	KG		6,255	6,620	-6%
Fuel consumption	Litres		18,943	23,102	-18%
GHG emission	tCO ₂ e		967	986	-2%
	Intellectual Capital				
Clicklife App user base	No.		22,000+	13,000+	69%
Investment in IT systems and infrastructure	Rs. Mn		556	629	-12%
Brand equity	Rs.Mn		1,373	1,982	-31%
Power BI dashboards	No.		110+	100+	10%
Clicklife App downloads	No.		17000+	11000+	55%

CONTRIBUTION TO NATIONAL ECONOMY & ECONOMIC VALUE ADDED

CSR reach
3,000
individuals
2022 – 10,618 children

- Contribution**
- Contributing to the overall well being of society by facilitating the achievement of UN SDGs through our business activities and CSR Interventions.

Total no. of jobs created
1,002
2022 - 955

Contribution

- Creating employment opportunities across the country
- Equal employment opportunities and promoting gender equality.

% of the women in workforce
51%
2022 - 48%

Total taxes including
Income tax, CESS & corp
insurance
Rs. 1,567 Mn
2022Rs. 1,019 Mn

- Contribution**
- Ensuring regulatory compliance which enables a safe and stable financial system.
 - Contributing to government revenue through timely tax payments.

No. of lives insured
289,000+
2022 - 263,000+

Contribution

- Providing financial safety net.
- Providing protection along with investment opportunities.

Net insurance benefits &
claims paid
Rs. 6,718 Mn
2022 - Rs. 5,699 Mn

Investment in government
securities
Rs. 64,149 Mn
2022 - Rs. 49,551 Mn

- Contribution**
- Contributing to government funding requirements.

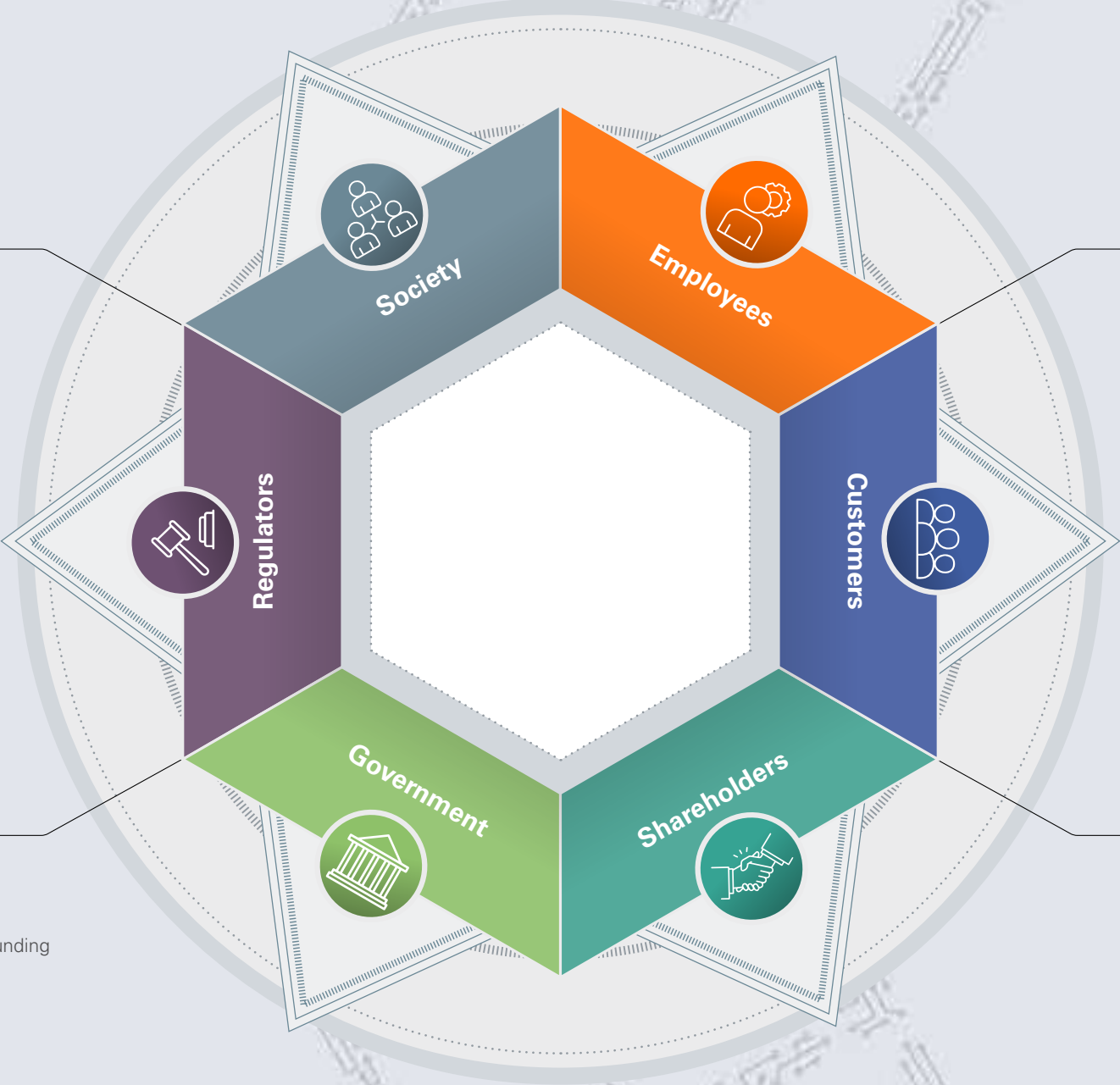
Dividends
Rs. 5.2 Bn
2022 - Rs. 0 Bn

Contribution

- Creating sustainable value to shareholders.

Market Capitalisation
Rs 23.7 Bn
2022 - Rs. 16.4 Bn

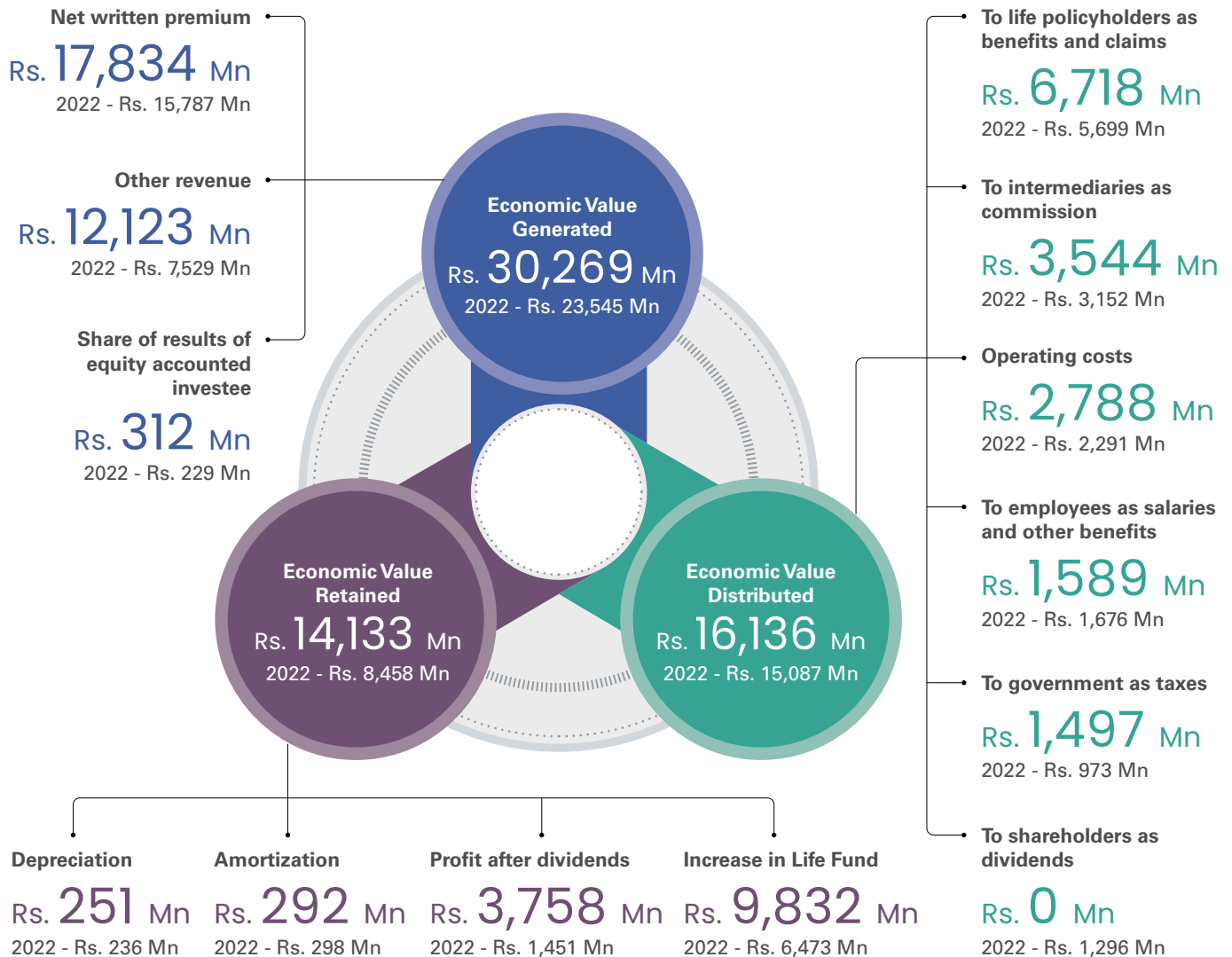
ROE
20%
2022 - 19%



CONTRIBUTION TO NATIONAL ECONOMY & ECONOMIC VALUE ADDED

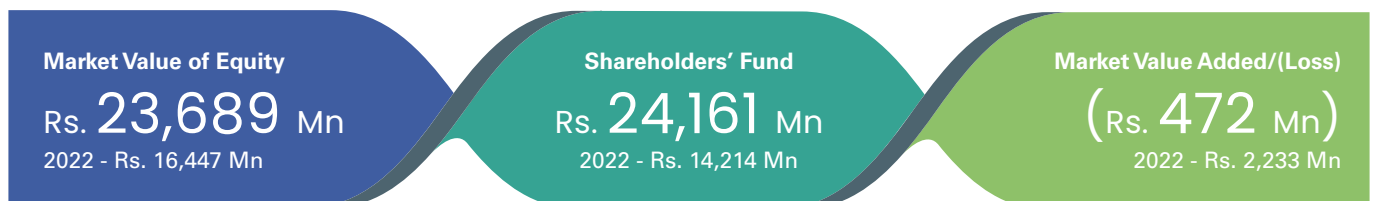
Economic Value-Added Statement (EVA)

This reflects the manner we created value and distributed among the stakeholders in the value chain.



Market Value Added Statement (MVA)

This captures the Company's capacity to increase shareholder value over the time. It comes with efficient management practices and strong operational capabilities.



FUTURE OUTLOOK

Economic Outlook

Long Term



In the long term, the country has undergone significant policy changes aligned with the IMF's recommendations. The current blend of expansionary monetary policies and restrictive fiscal measures, if maintained, is poised to drive the nation towards its potential growth rate in the medium to long term. The continuation of these policies is expected to reduce the debt-to-GDP ratio, alleviate the debt burden, and maintain a favourable fiscal deficit. Additionally, the positive economic outlook in the region is anticipated to have spillover effects, positioning Sri Lanka to benefit from improved disposable income, heightened productivity, enhanced quality of life, and an increased demand for sophisticated financial products, particularly benefiting the life insurance industry.

Medium Term



Looking at the medium term, we foresee positive growth for Sri Lanka from 2024 onwards. The correct policies, if implemented effectively, are crucial for the nation to reach its potential growth rates during this period. While challenges are expected, particularly in the early expansionary stages of the business cycle, we anticipate a decline in unemployment and the output gap. These improvements are likely to enhance overall demand, providing a favourable environment for corporates and benefiting the financial sector.

Short Term



In the short term, our expectation is for the current policy framework to persist, with a continuation of expansionary monetary policies and tight fiscal measures. However, the outcome of the presidential election remains a concern, as any deviation from the policy framework could have negative implications for long-term growth. The economy is anticipated to undergo an uncertain period until there is clarity on the election outcome, posing potential challenges and uncertainties that we will actively monitor.

Industry Outlook

Long Term and Medium Term



In an era defined by rapid technological advancements, Insurers' commitment to leveraging cutting-edge technologies remains unwavering. As Insurance companies navigate their path towards the future, it is crucial to recognize the transformative potential of Artificial Intelligence (AI) and Robotic Process Automation (RPA) in operational, customer servicing and administrative tasks to revolutionize the landscape of the life insurance industry and to secure a competitive edge while delivering exceptional customer experiences to policyholders.

Short Term



The economic situation characterized by high inflation and the resultant increase in medical costs significantly impacts the life insurance industry, particularly concerning the management of health insurance claims. Insurers must navigate these challenges adeptly by leveraging technology, data analytics, establishing partnerships with private healthcare providers, and implementing strategic risk management approaches to ensure the efficient and sustainable management of health insurance portfolio.

FUTURE OUTLOOK

Company Outlook

Long Term



Our ambition is to be a fully-fledged digital and customer-centric insurer for the new age and serving our communities in a responsible manner. With a carefully crafted strategy in place and with our accumulated business acumen the Company plans are in place to grow in profitability and corporate strength, for a sustainable future.

Medium Term



With the Board acknowledging the importance of the SLFRS 17 implementation, the Company plans to adopt the standard with effect from 1 January 2026. A capable project management team, comprised of personnel from Finance, Actuarial, IT, and Technical departments, will underscore the Company's dedication to achieving success with SLFRS 17.

Short Term



We are optimistic about our prospects for the coming year given the strong market fundamentals of the insurance industry. We will therefore continue to forge ahead with our strategy of transforming the Company from a volume centric to a value centric organization

ESG Way Forward

Over the decades Union Assurance paved its way to create value to its stakeholders through sustainability initiatives. During the year, the Company, with the guidance of JKH Group, embarked on its journey towards effective alignment of Environmental, Social, and Governance (ESG) principles through sustainability, ethical business practices, and responsible governance into its operations.

Initially, an ESG assessment was carried out to understand the current impact of our operations on the environment, society, and governance through stakeholder surveys and peer reviews. As a result, key ESG issues relevant for the Company were identified. With the help of John Keells Group and external assurance bodies, UA was able to formulate a comprehensive ESG strategy that outlines the Company's commitment to sustainability, ethical practices, and strong governance along with a clear set of relevant and measurable ESG goals and targets.

The ESG adoption is an ongoing project where as in the future, UA will commit in embedding ESG targets to the overall business strategy, daily operations, decision-making processes, and risk management. Stakeholder engagement is key in ESG, therefore, regular communication with stakeholders, including customers, employees, investors, and communities, to understand their expectations and concerns regarding ESG issues will take place in the coming years which will be used to ensure our strategy is relevant and up to date.

The background of the entire page is a complex, white, circuit-like pattern on a dark blue-grey background. The pattern consists of numerous interconnected lines, loops, and nodes, resembling a printed circuit board or a neural network. It covers the entire page, with the title 'CAPITAL REPORTS' centered over it.

CAPITAL REPORTS

64 Financial Capital | 66 Financial Performance | 75 Management of Investments | 79 Share Information
84 Manufactured Capital | 88 Human Capital | 96 Natural Capital | 102 Social and Relationship Capital
112 Intellectual Capital | 120 Strategic Trade-off and Impact on Capitals

FINANCIAL CAPITAL



As one of the leading life insurance providers, we continue to deliver strong top line and earnings growth while maintaining sufficient capital buffers. This was achieved in a year of restoring economic stability with policy interventions to curtail pressure on inflation, interest rates and an exchange rates, while tax hikes reduced disposable incomes..”

– Asha Perera, Chief Finance Officer –



Our Focus

Input

Financial capital from shareholders
Gross Written Premium generated
Funds Under Management
Earnings retained after Dividend Distribution

Process

Investment Management
Sales Management
Budgetary Control, Expense Optimization
Cash flow, Solvency and Liquidity Management
Risk Management, Compliance Framework, Internal Policies and Procedures

Outcome

GWP growth
Higher Investment Yield
PAT growth
Policyholder dividend growth
Shareholder dividend growth
Stable Capital Adequacy Ratio

Our Success



Revenue

- 13% increase in GWP
- 18% increase in Regular new business premiums



Profitability

- 48% increase in Investment Yield
- 41% increase in PBT
- 37% increase in PAT
- 36% increase in EBITDA
- 6% increase in ROE



Margin Management and Efficiency

- 3% increase in Cession Ratio
- 4% increase in claim ratio
- 1% decrease in Net acquisition cost Ratio
- 2% decrease in Expense Ratio
- 9% increase in ROA



Stability

- 26% increase in total assets
- 29% increase in Assets under Management
- 18% increase in Life Fund
- 50% growth in CAR
- 109% increase in Admissible assets over liabilities

Contribution to Corporate Strategy



A Value Capturing Investment Strategy

Leveraging on our expertise to enhance value of our investments and funds



Cost Optimization

Elimination of inefficiencies in processes and practices across the Company and achieving economies of scale to deliver a healthy bottom line to shareholders

Our Value Drivers

18%

ANBP Growth

18%

Investment Yield

23%

Expenses as % GWP

As one of the leading life insurance providers, UA continues to deliver strong top line and earnings growth while maintaining sufficient capital buffers. This was achieved in a year of restoring economic stability with policy interventions to target inflation, interest rates and an easing of the exchange rate pressure while increased taxes reduced disposable incomes.

Delivering strategy			
Focus area	KPIs	Target 2023	Actual 2023
Improve new business volumes and renewal premium collection	Growth in regular new business premiums	23%	18%
	Growth in renewal premiums	14%	11%
Maximize investment yield while managing risk	Increase in investment income	41%	45%
Cost containment and optimization	Expense ratio	27%	23%
Maintaining a healthy Capital Adequacy Ratio	CAR	190%	291%
Ensure Financial Discipline	No. of audits carried out on internal processes	40	40

Challenges & Opportunities	
+	Inflation, interest rates and foreign exchange rates stabilized
-	Increased taxation further reducing disposable income
+	Increased interest in life insurance
±	Continued migration of labour presents opportunities for growth as well as posing challenges in retaining talent

Key Financial Risks during the year and our Response

Risk	Impact	Response	Outlook
Stressed disposable income Disposable income continued to be impacted with increased taxation adding to the impact of high inflation in 2022.	⊙ Pressure on GWP targets	⊙ Revised product strategy to meet current challenges ⊙ Aligned reward and recognition to drive new business volumes ⊙ Focused on collection of renewal premiums	Inflation to be controlled to mid single digits, allowing disposable income to stabilize in 2024
	⊙ Pressure on lapse rates	⊙ Established the policy conservation unit with the purpose of reactivating lapsed policies ⊙ Surrender discourage calls approach was implemented to control surrender payouts.	
Increasing costs High levels of inflation continue to impact costs	⊙ Increase in claims ratio	⊙ Repriced certain insurance solutions to improve competitiveness	With inflation stabilizing, the upward pressure on costs is expected to ease in 2024.
	⊙ Higher overhead Expenses	⊙ Cost rationalization and optimization across all departments ⊙ Setting ceilings on budget utilization to better align with business growth and reviewing monthly utilization ⊙ Spend control committee scrutinized all overhead expenses before processing and recommended cost containment and optimization initiatives.	
Declining interest rates	⊙ Negative impact on investment income	⊙ Revise investment strategies to improve portfolio yields	Interest rates are expected to remain low with a likelihood of further rate decreases
	⊙ Declining interest rates had created volatility in CAR	⊙ Continue to monitor CAR through analysis of parameters to identify ways to improve	

FINANCIAL CAPITAL

Financial Performance

The financial performance indicators below reflect the revenue and investment income generated and costs incurred by our business activities. Material income statement line items are explained in further detail below.

Rs. Mn	2023	2022	YOY Change	2021
Gross Written Premium (GWP)	18,867	16,675	13%	15,406
Regular new business premium	5,501	4,666	18%	4,436
Premium ceded to the reinsurers	(1,033)	(888)	16%	(726)
Surplus	2,800	2,300	22%	1,600
Net investment income	10,817	7,479	45%	5,276
Net Insurance benefits and claims	(6,718)	(5,699)	18%	(4,610)
Underwriting and net acquisition cost	(3,544)	(3,152)	12%	(2,844)
Other operating, administrative and selling expenses	(4,377)	(3,967)	10%	(3,210)
Profit from operations	4,944	3,490	42%	2,476
Profit before tax	5,256	3,720	41%	2,627
Profit for the year	3,758	2,747	37%	2,054
EBITDA	5,799	4,255	36%	3,063
Ratios				
Investment Yield	18%	12%	48%	11%
Return on Equity (ROE)	20%	19%	6%	13%
Cession Ratio	5.5%	5.3%	3%	4.7%
Claim Ratio (% of NWP)	38%	36%	4%	31%
Net acquisition cost Ratio	19%	19%	-1%	18%
Expense Ratio	23%	24%	-2%	21%
Return on Assets (ROA)	3.9%	3.6%	9%	3.0%

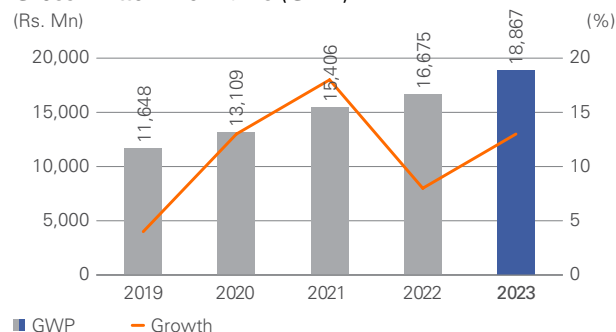
Gross Written Premium (GWP)

The total premium paid by the policyholders to the insurance Company before deducting reinsurance and ceding commission.

Performance during the year

Despite the stabilization in a number of key market variables, the stress on disposable income continued as incomes did not maintain pace with very high rates of inflation. Increasing taxation exerted further pressure making it a challenging operating environment for sales of Life Insurance which is highly correlated to disposable income. On the other hand, stressed disposable income created a demand for health and retirement Insurance as well as protection. GWP recorded a commendable growth of 13% to Rs. 18.9 Bn in 2023 above the industry average. The growth was driven by increased new business premiums, improved renewals, increased group life and surgical premiums of 18%, 11%, 59% respectively.

Gross Written Premiums (GWP)



Premium Ceded to Resinsurers

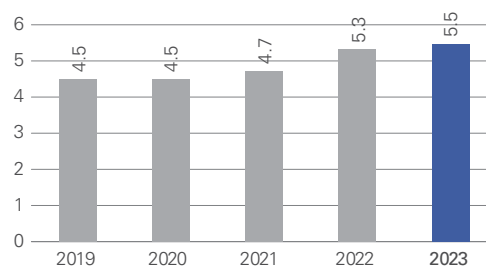
The charge for the portion of risk that UA transfers to reinsurers to reduce its exposure to insurance risk. This enables UAL to access different market segments through competitive pricing. As a part of the Company's Risk management policy, we have partnered with 4 reinsurers who facilitate financial stability, reduce earnings volatility and optimise use of capital.

Performance during the year

The premium ceded to reinsurers increased by 16% to Rs. 1,033 Mn from Rs. 888 Mn in 2022. The increase stemmed from the change in the product mix to focus more on protection based products and the increase in the corporate segment of business. As a result, the cessation ratio also increased from 5.3% in 2022 to 5.5% in 2023.

Cession Rate

(%)



Net Investment and Other Income

Comprises income generated from the investment portfolio managed by the Company providing a hedge to meet future claims or provide returns to qualifying policyholders in accordance with the terms of their policies.

Performance during the year

Net investment income increased by 45% to Rs. 10.8 Bn, mainly due to increase in interest income from government securities by Rs. 3,197 Mn as a result of efficient fixed income management, asset reallocation and higher interest rate trajectory in first half of 2023.

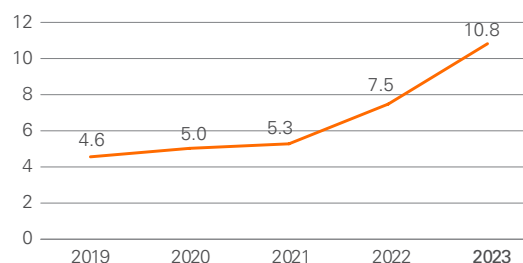
Net realized gains increased significantly due to substantial gains from sale of government securities by Rs. 582 Mn and unit trusts by Rs. 52 Mn. However, the realized gain of equity securities decreased by Rs. 132 Mn.

UAL recorded a fair value gain compared to a loss in 2022. This was mainly due to the increase in unrealized gain from equity shares by Rs. 672 Mn stemming from an agile portfolio trading strategy and positive performance of the CSE in 2023. Unrealized gains from government securities increased by Rs. 85 Mn due to the decrease in interest rates. Unrealized gains from unit trust increased by Rs. 51 Mn underpinned by the performance of the CSE.

Rs. Mn	2023	2022	Growth
Net investment income	10,817	7,479	45%
Net realized gains	768	266	189%
Net fair value gains/ (losses)	510	(304)	268%

Investment Income

(Rs. Bn)



FINANCIAL CAPITAL

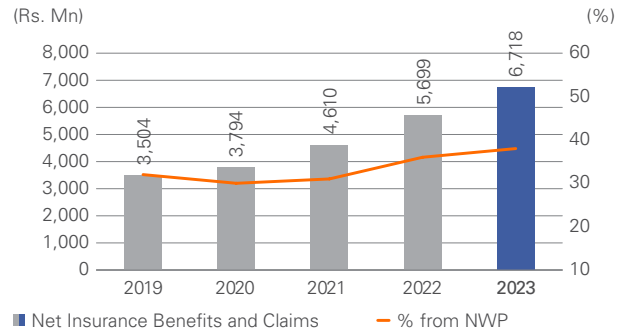
Net Insurance Benefits and Claims

The compensation paid or accrued in line with a formal request (claim) by a policyholder for a covered loss or policy event after setting off amounts recovered from reinsurers in relation to the claim.

Performance during the year

Net benefits and claims expenses increased by 18% to Rs.6,718 Mn largely driven by an increase of 30% in surrenders due to adverse macroeconomic conditions. The increase in maturity payouts of 10% was in line with contractual obligations.

Net Insurance Benefits and Claims



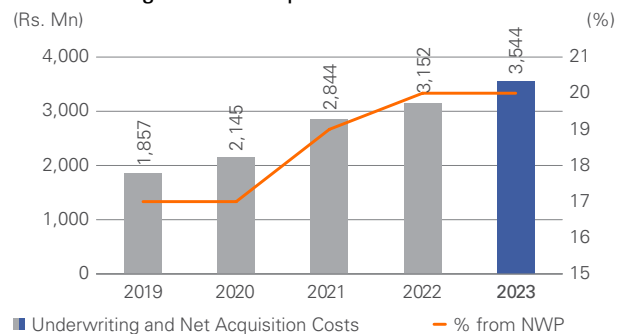
Underwriting and Net Acquisition Costs

The amount of commission and incentives paid by insurance firms to intermediaries in order to acquire customers, less any commission revenue owed by reinsurers for placing business with them.

Performance during the year

The Company's net acquisition cost amounted to Rs. 3,544 Mn in 2023, a 12% increase on the previous year. The increase is in line with GWP growth and amounted to 19% of GWP. Acquisition cost as a percentage of ANBP was 49% and 46% for Agency and Banca channels respectively.

Underwriting and Net Acquisition Costs



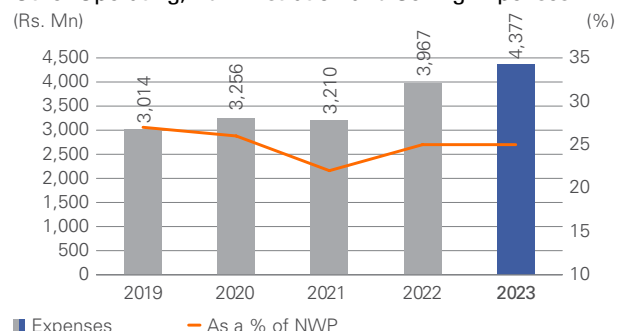
Other Operating, Administrative and Selling Expenses

Costs incurred to manage the business and generate future and current revenues.

Performance during the year

Operating, administrative and selling expenses increased by 10% to Rs. 4,377 Mn in 2023 as a result of cost escalations brought on by, increased network expenses and energy costs and other inflationary pressures. Prudent expense management and cost optimization initiatives implemented enabled the Company to curtail the recurrent operating, administrative and selling expenses growth to 10% during the year.

Other Operating, Administration and Selling Expenses



Operating Profits and EBITDA

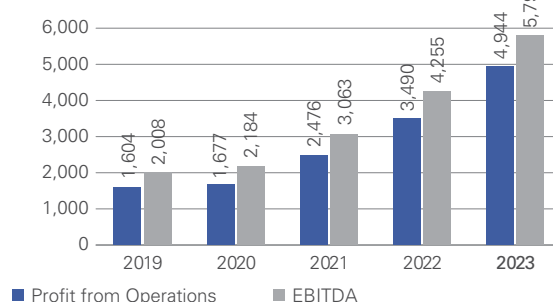
Performance during the year

Profit before tax increased by 41% to Rs.5,256 Mn in 2023, supported by commendable growth in GWP and impressive investment income and optimisation of expenses.

Consequently, EBITDA grew by 36% to Rs. 5,799 Mn compared to Rs. 4,255 Mn in 2022.

Operating Profits and EBITDA

(Rs. Mn)



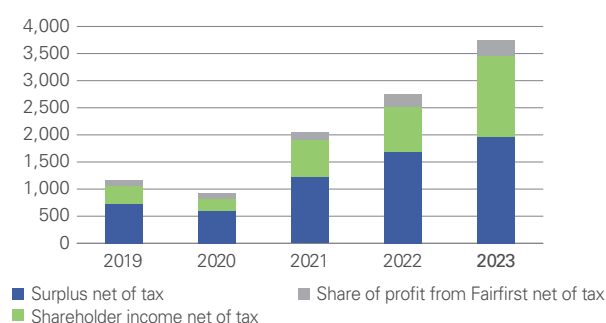
Profit After Tax

Performance during the year

The Company posted a PAT of Rs. 3,758 Mn in 2023 recording strong earnings growth of 37%. The higher effective tax rate of 28% in 2023 compared to 26% in 2022 is due to the increase in surplus distributed to shareholders, increased investment income from shareholder funds and the change in the income tax rate from 24% to 30%.

Profit After Tax

(Rs. Mn)



Changes in insurance contract liabilities

The change in insurance contract liabilities reflects amounts set aside during the year by the Company to facilitate future claims and benefits

The change in contract liabilities increased by 52% to Rs. 9,832 Mn.

Rs. Mn	2023	2022	2021	2020	2019
Change in insurance Contract Liabilities before the surplus transfer	12,632	8,773	8,676	7,032	5,983
Surplus Transfer as recommended by the appointed Actuary	2,800	2,300	1,600	825	1,000
Change in insurance contract liabilities after the surplus transfer	9,832	6,473	7,076	6,207	4,983

Other Comprehensive Income

Other comprehensive income during the year amounted to Rs. 6,174 Mn mainly stemming from fair value changes in available for sale assets as a result of decrease in market interest rates by 1,458 basis points and profit for the year.

FINANCIAL CAPITAL

Financial Position

Statement of financial position reflects the financial stability of the Company providing information on its assets, liabilities, and equity as at 31.12.2023. Material line items have been discussed below.

Rs. Mn	2023	2022	YOY Change	2021
Total Assets	95,670	75,969	26%	70,762
Financial Investments	83,420	64,456	29%	59,329
Life Fund	64,130	54,517	18%	48,045
Total Liabilities	71,509	61,755	16%	55,307
Insurance Contract Liabilities	65,043	55,431	17%	48,918
Shareholder Funds	24,161	14,214	70%	15,455
Capital Adequacy Ratio (CAR)	291%	194%	50%	228%
Determination 1 – Admissible Assets Over Liabilities	9,939	4,762	109%	3,739

Total Assets

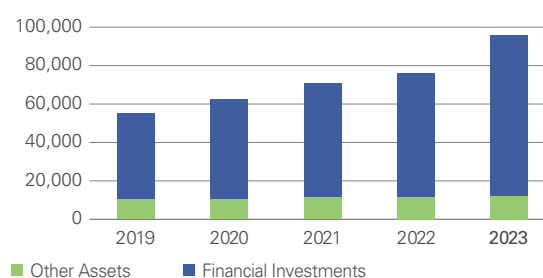
Performance during the year

Total assets increased by 26% to Rs.96 Bn at the close of the year supported by 29% growth of Financial Investments to Rs.83.4 Bn. Financial Investments account for 87% of Total Assets in 2023 compared to 85% in 2022. The growth was attributable to positive business cash flows and valuation impact of Available For Sale (AFS) assets.

The asset allocation is set out alongside.

Total Assets

(Rs. Mn)



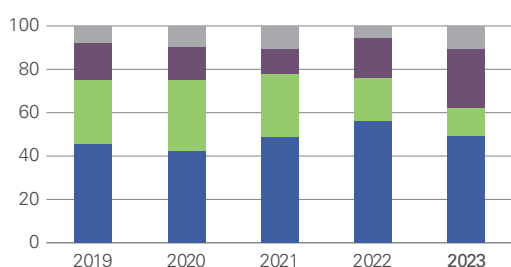
Financial Investments

Performance during the year

Financial investments which account for 87% of total assets grew by 29% to Rs. 83 Bn during the year. The Company's financial investments comprise of a well-diversified asset mix segregated into different funds. A significant percentage of the life insurance fund is invested in counterparties with high quality credit ratings. The key assets held under these funds are Treasury bills and bonds (77%), corporate debt(12%), equities (5%) and other assets (6%). Growth in revenue, along with efficient expense management and investment maturities enabled the Company to have a stable fund inflow for investment during the year.

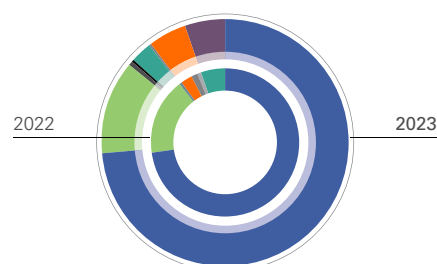
Financial Investments

(%)



Asset Allocation

(%)



	2023	2022		2023	2022
• Treasury Bonds	73.7	73.0	• Treasury Bills	3.0	1.3
• Debentures	12.4	16.6	• FD	0.1	0.8
• ABS	0.4	0.5	• Equity	5.2	5.2
• Repo	0.3	2.6	• Unit trust	5.0	0.0

■ Financial assets at fair value through profit or loss (FVTPL)
 ■ Available for sale financial assets (AFS)
 ■ Loans and receivables (L&R)
 ■ Held to maturity financial assets (HTM)

Total Liabilities

Total Liabilities of the Company increased by 16% to Rs. 71.5 Bn in 2023 compared to Rs. 61.8 Bn in 2022. The increase was driven mainly by the 17% growth in Insurance Contract Liabilities which account for 91% of total liabilities.

Insurance Contract Liabilities

Insurance Contract Liabilities ("Life Fund") is the fund maintained for the long-term insurance business by the Company in accordance with the Regulation of Insurance Industry Act No. 43 of 2000, (as amended). This fund sets aside capital to meet the future obligations of the policyholders on receipt of valid claims and on maturity of policies.

Performance during the year

Life insurance contract liabilities increased by 17% to Rs.65.04 Bn as valued by an independent actuary as set out in Note 42 of the financial statements on page 282 of the Annual Report. The Unit Linked Fund decreased by 4% to Rs.0.7 Bn.

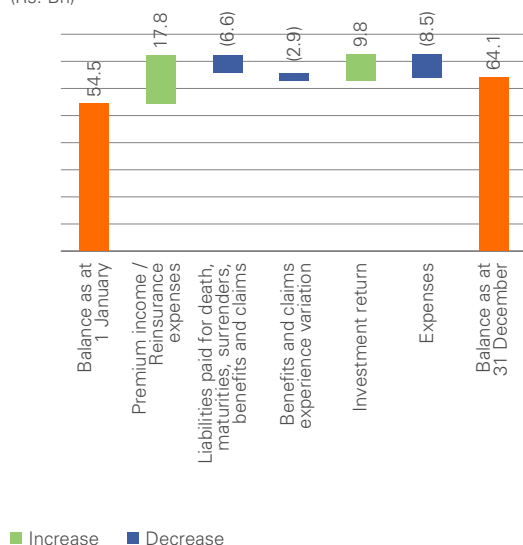
The Company maintained a proper segregation of assets and liabilities for all three sub funds of the Life Fund; Participating, Non-Participating and Universal Life Funds as per the Direction 15 issued by the Insurance Regulatory Commission of Sri Lanka.

Life Fund passed the liability adequacy test as required by SLFRS 4.

The composition of the Life Fund and the movements of the Life Fund are graphically set out below.

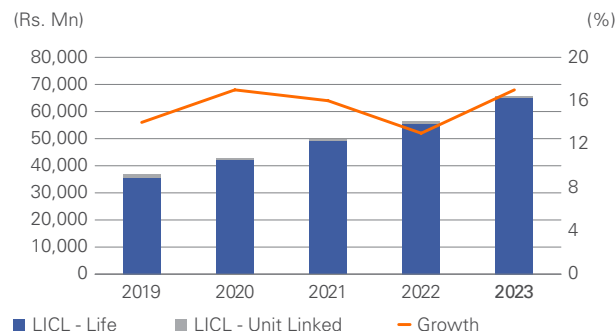
Movement of the Life Fund

(Rs. Bn)



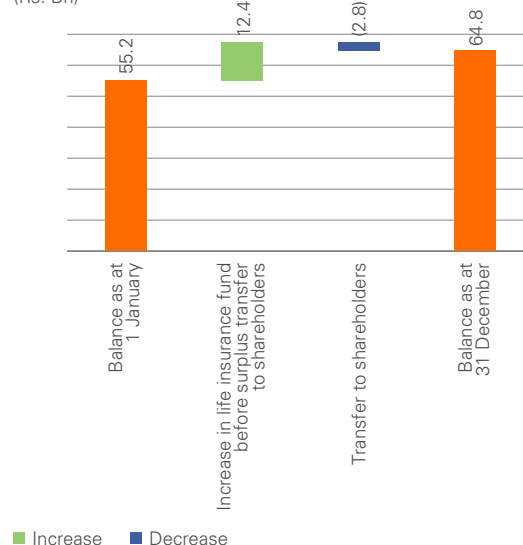
Insurance Contract Liabilities

(Rs. Mn)



Movement in Insurance Contract Liabilities

(Rs. Bn)



FINANCIAL CAPITAL

Shareholders' Funds

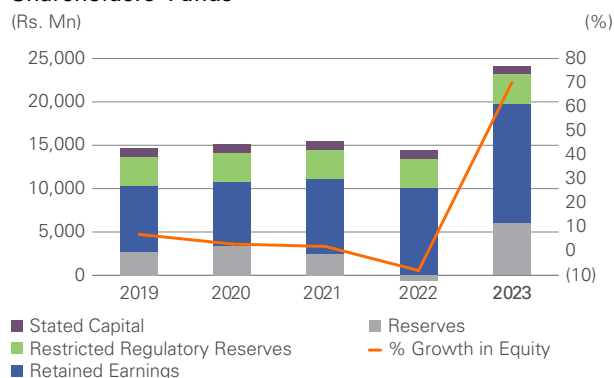
Performance during the year

UAL is a fully equity funded Company and retained profits are the main source of capital for future expansions. Retained earnings increased during the year supported by the current year profits of Rs. 3.8 Bn.

Available for Sale (AFS) reserve increased from a negative Rs. 2.56 Bn in 2022 to a positive Rs. 3.33 Bn reflecting the upward trend in market prices of government securities classified under AFS.

The restricted regulatory reserve reflects a one off surplus arising due to change in Life Fund valuation basis from Net Premium Value (NPV) to Gross Premium Value (GPV) as per Risk Based Capital regime. The restricted regulatory reserve is included in shareholders equity in line with the directions of the IRCSL.

Shareholders' Funds

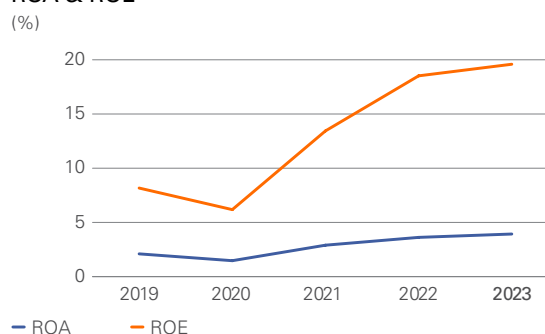


Return on Assets (ROA) and Return on Equity (ROE)

Performance during the year

ROA and ROE for 2023 was 3.9% and 20% respectively compared to 3.6% and 18.5% in 2022 supported by improved profitability stemming from both business growth and improved investment income.

ROA & ROE



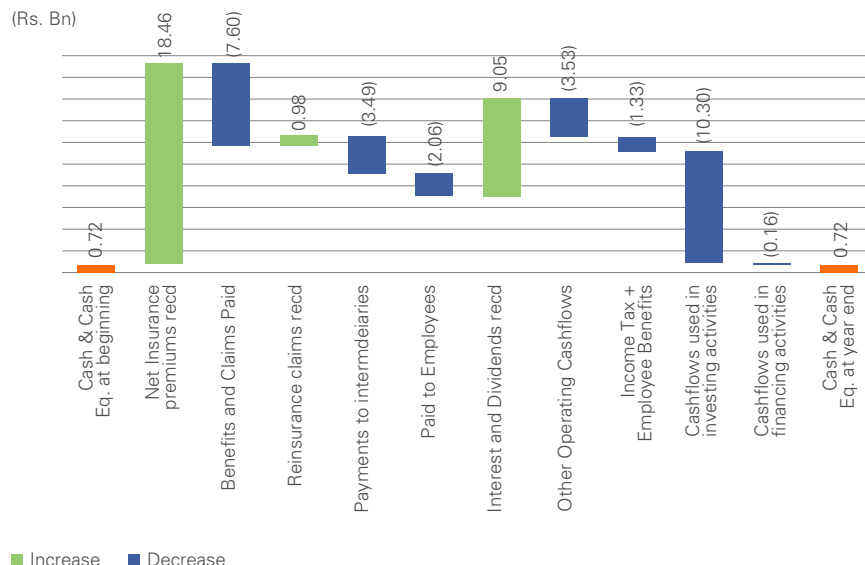
Cash Flow

Cash flow depicts cash generated from operating activities, cash deployed in investing activities and cash used in financing activities. The analysis of cash flow indicates the ability to adapt and survive in changing operating contexts and generate sufficient cash for future expansions.

Rs. Mn	2023	2022	YOY Change	2021
Net cash flow generated from operating activities	10,452	8,279	26%	9,256
Net cash flow used in investing activities	10,301	6,808	51%	8,376
Net cash used in financing activities	158	1,467	-89%	959
Cash and cash equivalents at the end of the year	717	724	-1%	720

Cashflow

(Rs. Bn)

**SLFRS 17 Implementation****Introduction**

SLFRS 17 will change the entire landscape of financial reporting of insurance companies and improve transparency and comparability of financial performance among the companies. UA perceives SLFRS 17 implementation as not just merely a compliance exercise, and it is a strategic initiative which provides an opportunity for the Company to closely review its strategy and corporate plan and improve its performance. SLFRS 17 implementation relates to the Company strategy of transforming into a value centric organization from a volume centric organization where the Company objective is to increase Volume of New Business (VNB). There is a clear relationship between VNB and Contractual service margin (CSM) which is the overall profit attributable to an insurance contract.

Effective Date

In order to facilitate a seamless transition and allow adequate time for implementation, the Council of ICASL has granted approval for a one-year extension on the effective date of SLFRS 17. Consequently, SLFRS 17 will now be applicable for the annual reporting period commencing on or after 1 January 2026.

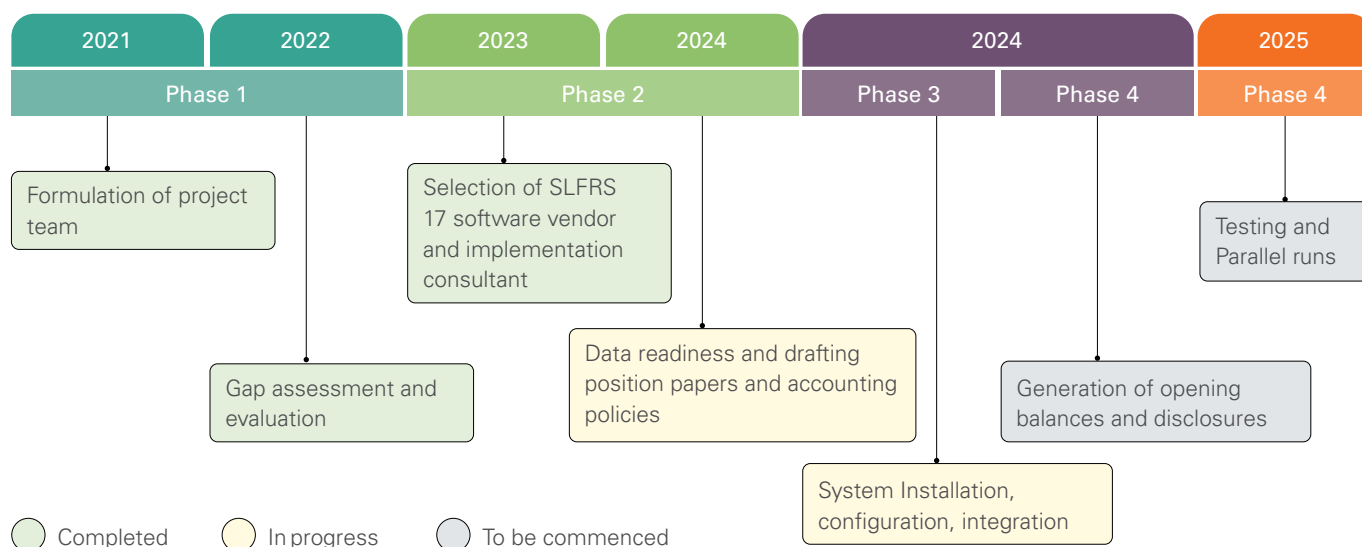
Simultaneously, the mandatory application of SLFRS 9 – Financial instruments, which has implications on recognition and measurement of financial assets will also take effect from January 1, 2026, aligning with the deferred implementation of SLFRS 17 for companies which have taken the temporary exemption for SLFRS 9.

Governance Structure

The project governance structure including SLFRS 17 Board steering committee, SLFRS 17 Executive steering committee and SLFRS 17 project team is outlined on the page 147 of the corporate governance report.

Project roadmap and progress

UA commenced implementation project in 2021 and it was structured into four phases as given below.



The Company made significant progress in the project and is on track to complete the implementation ahead of the effective date.

FINANCIAL CAPITAL

Way Forward

Business growth, optimized investment returns and costs and financial stability are key to delivering value to shareholders and other stakeholders. As we look to navigate a year of recovery, we remain vigilant about the socioeconomic progress and investment climate in the country which impact our prospects. The recovery in 3Q 2023 is encouraging as well as the stabilization of market risk factors. Our expertise, governance structures and performance oversight combine with agile strategy and risk awareness to propel the Company forward, maintaining its leadership in this vital business of creating financial safety nets.

Objectives for 2024 and beyond

	2024 Short Term Target	Medium to Long Term Target
GWP Growth	12 %	12 % +
ROE	15 % +	17 % +
Capital Adequacy Ratio	160 % +	160 % +
Expense ratio	23 %	22 %
Investment Yield	12 % +	11 % +



MANAGEMENT OF INVESTMENTS

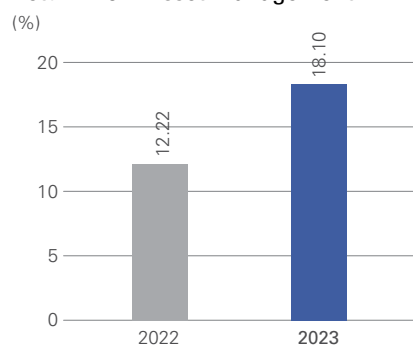
Asset under management and Investment Performance

Rs.'000	2023	2022	Growth (%)	2021	2020	2019
Net investment income	10,816,725	7,479,013	45%	5,276,130	5,032,432	4,564,844
Net realised gains	767,605	265,577	189%	431,225	(402,181)	24,313
Net fair value gains/(losses)	509,985	(303,862)	268%	235,848	277,179	(297,847)
Other income	29,032	87,973	-67%	27,528	43,584	48,644
Total other revenue	12,123,347	7,528,701	61%	5,970,731	4,951,014	4,339,954

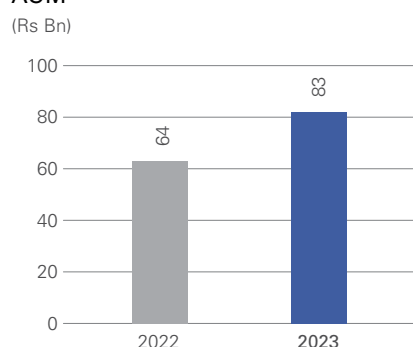
The Investment management at Union Assurance is dedicated to managing assets through a thoughtful combination of both active and passive strategies, with a strong emphasis on achieving long-term sustainable growth. This approach positions the Company to deliver enhanced and lasting returns to all stakeholders.

The Company successfully oversees a diversified pool of assets totalling Rs. 83 Bn, catering to both policyholders and shareholders. Notably, despite the challenging market conditions in 2023, the value of these assets increased by 29%, underscoring the resilience and effectiveness of our strategic investment management.

Return from Asset Management



AUM



The year 2023 presented remarkable opportunities for long-term investors, and Union Assurance was quick to leverage these possibilities. The Company achieved a noteworthy total investment income of Rs. 12 Bn during the year, marking a substantial improvement of 62% compared to the figures recorded in 2022. This robust performance reflects our commitment to navigating market dynamics adeptly and capitalizing on opportunities to create sustained value for our stakeholders.

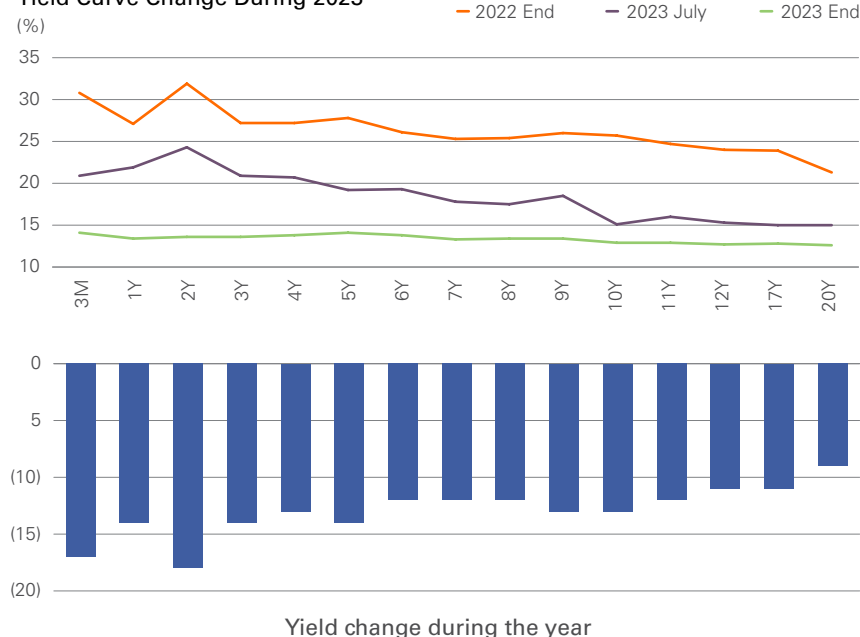
Fixed Income Investments

Our investment strategy focuses on generating income primarily through interest, emphasizing sustainable returns and effective liability matching.

The Company's approach to managing fixed income assets involves a long-duration strategy, targeting income while navigating the challenges posed by the insurance sector's limited access to long-term investments for liability matching. Our assets are intricately connected to local interest rate fluctuations, reflecting the dynamic nature of our investment environment.

During the first half of the year, we benefited from exceptionally high treasury yields, creating favourable conditions for long-term investors seeking to lock in advantageous rates. However, this period also resulted in a temporary decrease in the market value of our assets, impacting capital adequacy ratio due to the inherent interest rate risk.

Yield Curve Change During 2023



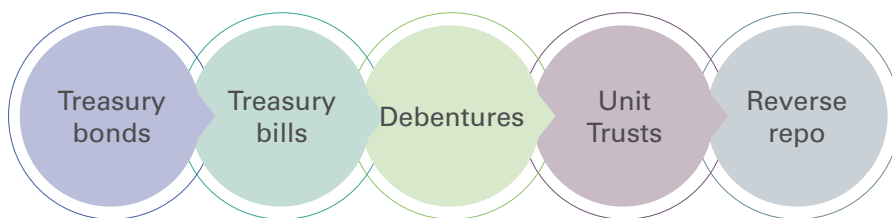
FINANCIAL CAPITAL

MANAGEMENT OF INVESTMENTS

The landscape shifted significantly in the second half of 2023 when government plans for Domestic Debt Optimization (DDO) were announced, leading to a substantial decline in treasury yields. The Company, unaffected directly by DDO, made informed long-term investments after carefully evaluating the risk-return trade-off. This strategic move not only improved the fund's interest income but also contributed to a positive year-end Capital Adequacy Ratio.

Amidst the challenges presented by the inverted yield curve, significant yield curve shifts, and other anomalies in the fixed income space, we seized opportunities through agile and dynamic strategies. These endeavours allowed us to navigate uncertainties effectively and capitalize on market trends.

Most common fixed income assets



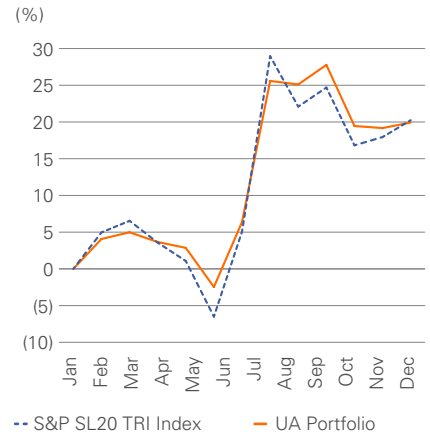
Equity Investments

We actively manage the equity portfolio, which constitutes 5% of our total funds under management. This portfolio is intrusively overseen with the primary goal of outperforming the market index. To ensure optimal management of our equity allocation, we have engaged the expertise of an external asset manager specializing in equity management and brings a wealth of experience and skill in navigating the complexities of the equity market. Currently, the equity portfolio is diversified across 10 sectors, with the top 3 sectors representing over 75% of our equity investments.

It is noteworthy that the external asset manager's mandate encompasses 5.2% of our total Assets Under Management (AUM). This strategic partnership has been instrumental in driving performance and managing risk within the equity allocation.

In the fiscal year 2023, our equity allocation delivered a return of 20%, slightly underperforming the benchmark index. Our commitment remains steadfast in actively managing the portfolio to capitalize on opportunities and navigate challenges effectively.

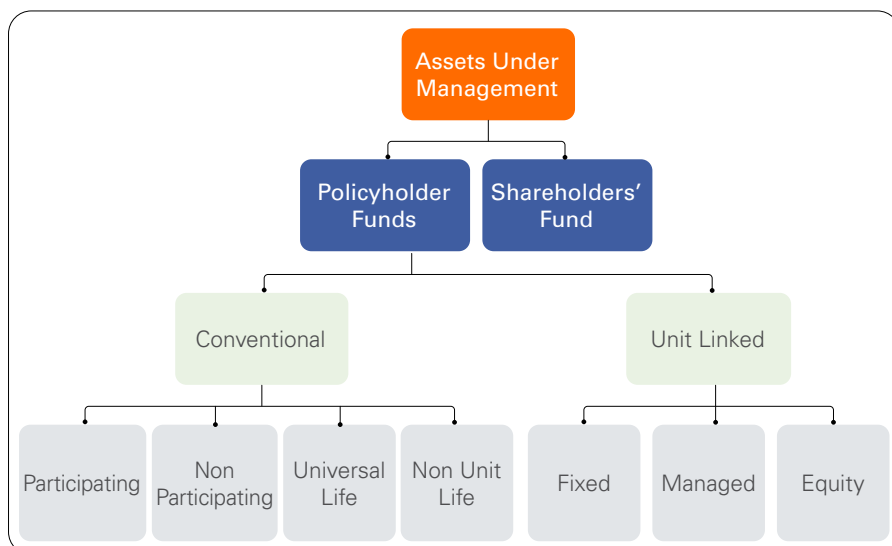
Equity Portfolio Vs Benchmark



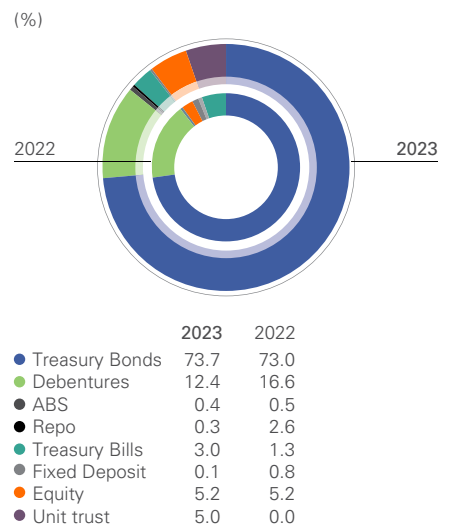
Assets Under Management

Union Assurance diligently manages funds by categorizing them into various sub-funds, aligning with the specific nature of liabilities. This strategic segmentation is in accordance with the guidelines set forth by the Insurance Regulatory Commission of Sri Lanka, reflecting our commitment to regulatory compliance and prudent financial management.

Each sub-fund operates in accordance with a meticulously crafted Investment Policy Statement, outlining clear guidelines and objectives. This tailored approach ensures that the investment strategy for each fund is aligned with its specific nature and intended purpose. It allows us to optimize performance, manage risk effectively, and uphold our fiduciary responsibilities to policyholders.

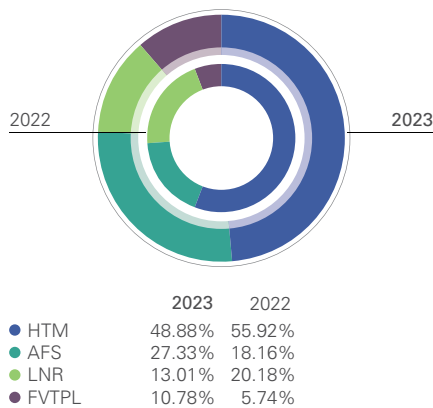


Overall Asset Allocation



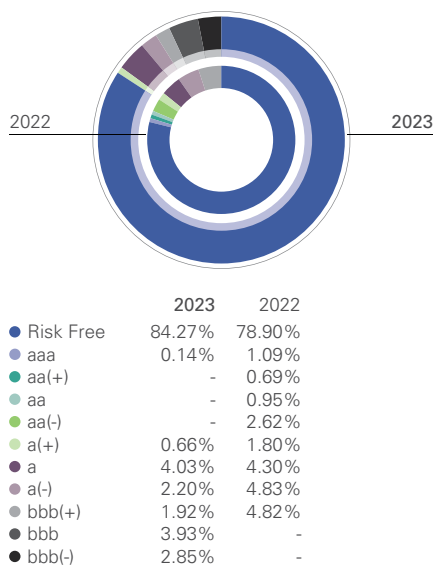
Financial Investments

(%)



Credit Analysis

(%)



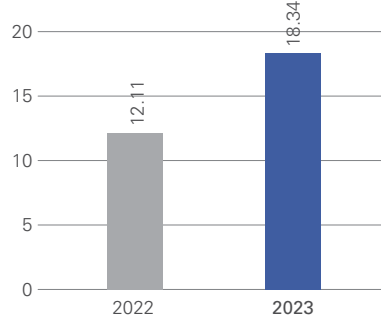
Conventional Policyholder Funds

As of the latest reporting, our total assets under management of policyholder funds stand at Rs. 68 Bn. In the financial year 2023, our portfolio returned 18.34%, a notable improvement from 12.11% recorded in 2022. The primary objective guiding our investment strategy is to achieve sustainable growth of funds, ensuring we are well-equipped to meet liabilities as they arise.

We strategically allocated fresh inflows to capitalize on these favourable rates, resulting in an increased allocation to treasury assets. Specifically, our allocation to treasury assets rose by 200 basis points, reaching 77% in 2023.

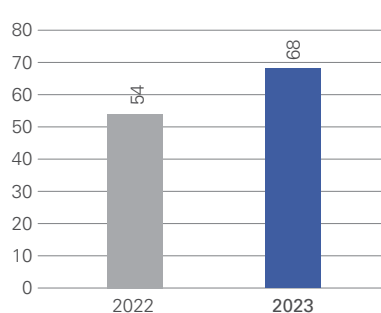
Policyholder Fund's Return

(%)



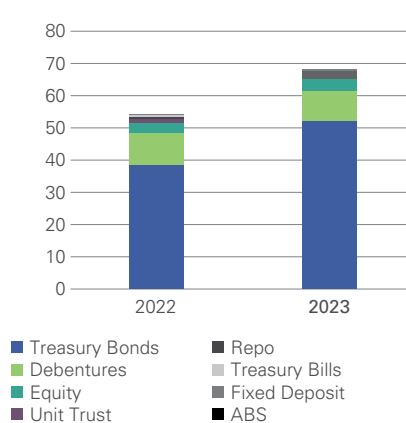
Policyholder AUM

(Rs. Bn)



Policyholder Asset Allocation

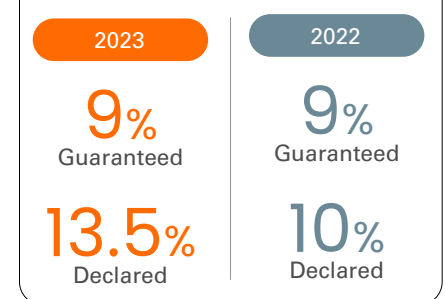
(Rs. Bn)



Within the conventional Policyholder Fund, the Universal Life Fund stands out as the largest sub-fund, representing more than 75% of the total policyholder AUM. In 2023, the AUM for this fund experienced remarkable growth, surging by an impressive 39%. The fund's performance mirrored this upward trajectory, achieving an outstanding return of almost 17%, attributable to the impact of higher interest rates and substantial gains from equity throughout the year.

One of the critical responsibilities of the Universal Life Fund is to meet the minimum guaranteed dividend rate for the year. We are pleased to report that the Company not only fulfilled this commitment but exceeded it by a substantial margin by declaring a dividend rate of 13.5%. This success reflects our adept management, strategic investment decisions, and our dedication to delivering value to our policyholders.

Universal Life Policyholder Dividend Rate



Shareholders' Fund

Shareholders' total assets under management reached Rs. 14 Bn, reflecting a remarkable 55% increase. This significant growth can be attributed to the decision to retain dividend payments in 2022 and the favourable conditions in the bullish treasury bond market throughout 2023.

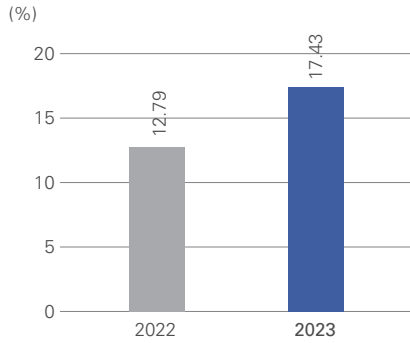
The Shareholders' Fund, distinct in its investment approach from the Policyholder funds, strategically focuses on assets with relatively shorter durations. The primary objective is to achieve sustainable growth in capital while managing risk effectively. Leveraging its short-term duration, the fund executed a more active investment strategy in 2023, emphasizing capital gains to capitalize on opportunities within the fixed income market.

The result of these dynamic strategies, there was a notable return of 17.4% for the Shareholders' Fund in 2023. This outcome underscores our commitment to optimizing returns and strategically navigating market conditions to deliver value to our shareholders.

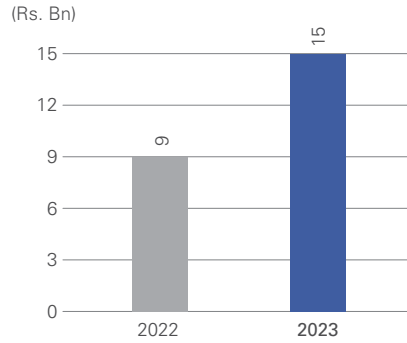
FINANCIAL CAPITAL

MANAGEMENT OF INVESTMENTS

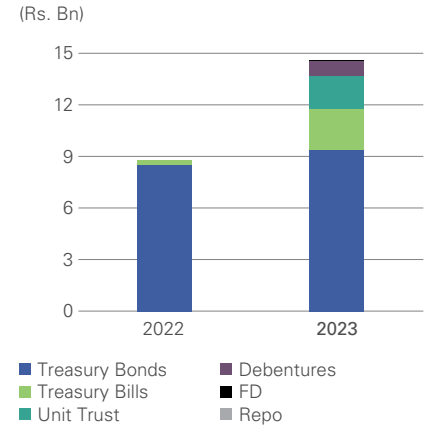
Shareholder Fund Return



Shareholder AUM



Shareholder Asset Allocation

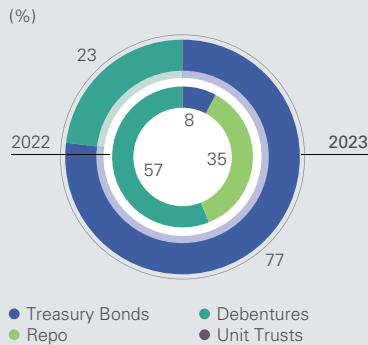


Unit Linked Investments

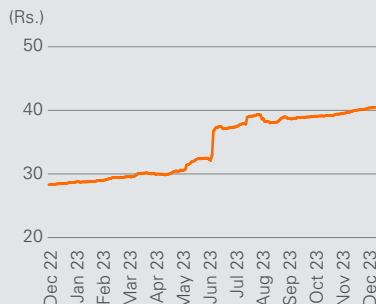
Fixed income fund

This is a fully fixed-income fund designed to generate regular income in the medium term. The total AUM for this fund currently stands at Rs. 124 Mn, reflecting a growth of 2% in 2023. The active management of this fund by the Company has resulted in a significant appreciation of unit prices, marking an increase of 43% during the year.

Unit Linked Fixed Income Fund



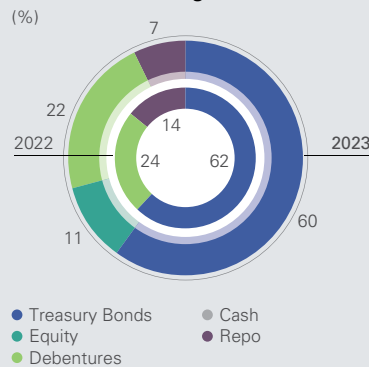
Unit Price



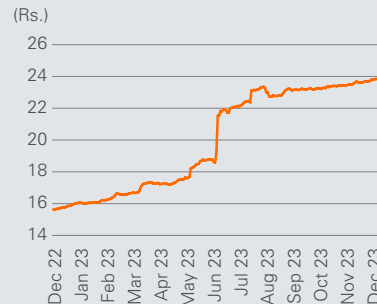
Managed fund

Managed fund represents a balanced portfolio with exposure to both fixed income and equity. The total AUM for this fund is Rs. 163 Mn, witnessing a growth of 9% in 2023. The unit prices appreciated notably by 53%, a direct outcome of dynamic asset allocation decisions made by the asset manager.

Unit Linked Managed Fund



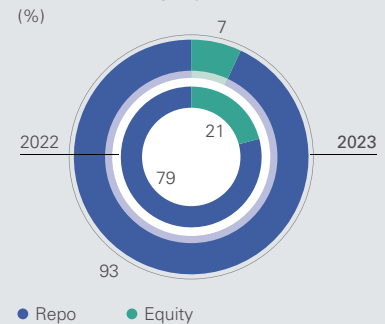
Unit Price



Equity fund

Equity fund, dedicated solely to listed equities, experienced a decline of 11% in total AUM to Rs. 416 Mn in 2023. This decrease is attributed to fund outflows due to redemptions and other factors. Despite the reduction in AUM, unit prices appreciated by 14% as the fund strategically met liquidity requirements arising from redemptions.

Unit Linked Equity Fund



Unit Price



SHARE INFORMATION



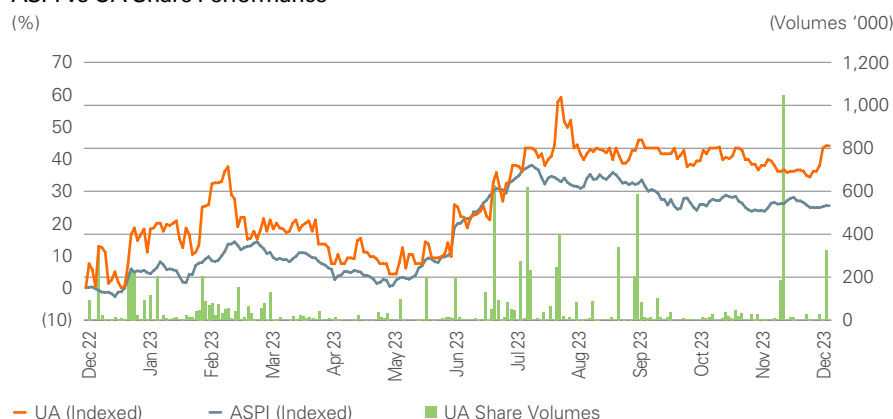
UA's share price increased by 44% in 2023 to close at Rs. 40.20 indicating strong investor confidence and positive sentiment towards the Company."

Value Created for Shareholders

UA continued to deliver value to shareholders despite the current challenging operating context. The following measures depict the values thus created.

UA is listed on the CSE (UAL.N0000) with a market capitalization of Rs. 23.7 Bn as at 31 December 2023. The number of shares issued remained unchanged during the year at 589,285,720. Highlights of the UA share performance are depicted below;

ASPI vs UA Share Performance



UA's share price increased by 44% in 2023 to close at Rs. 40.20 and traded throughout the year with an average daily volume of 46,218 shares. The shares traded between a low of Rs.27.10 and a high of Rs. 45.00. The shares beta which reflects UA share movement against the movement in ASPI stood at 0.28 as of the fourth quarter of 2023.



Market Capitalisation

Rs. 23.7 Bn 44% ▲

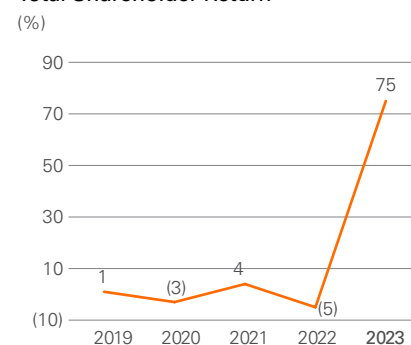
Earnings per Share

Rs. 6.38 37% ▲

Total Shareholder Return

The Total Shareholder Return (TSR) of UA's share stood at positive 75% for the year under review, while the total return index of the S&P SL20 recorded a return of positive 20.24%.

Total Shareholder Return



Trading Statistics

During the year 10,537,813 UA shares traded through 4,417 trades. The average daily turnover of the UA shares was Rs. 1,698,407 in 2023 in comparison to Rs. 1,206,087 recorded in the previous year.

FINANCIAL CAPITAL

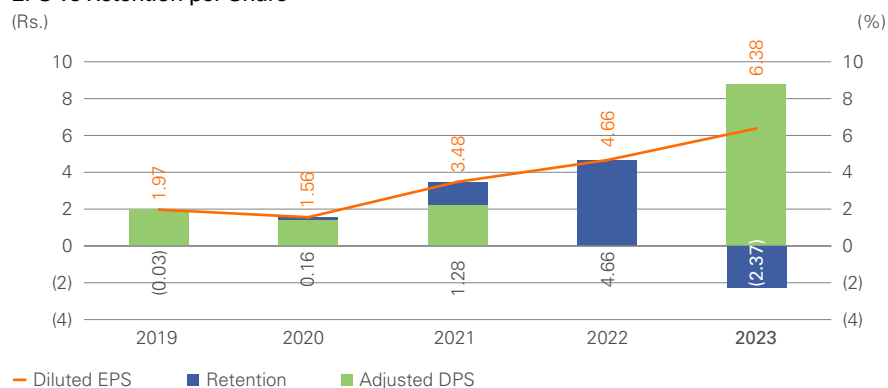
SHARE INFORMATION

	2023	2022
Number of transactions	4,417	6,349
Number of shares traded	10,537,813	5,650,712
Value of shares traded	387,236,778	268,957,402
Shares traded as a percentage of total shares in issue (%)	1.79	0.73
Market Capitalization (Rs. Mn)	23,689	16,441
Percentage of Market Capitalization (%)	0.56	0.43
Gross Dividend (Rs. Mn)	5,156	-

EPS vs. Retention Per Share

The fully diluted earnings per share (EPS) for the financial year increased by 37% to Rs.6.38 per share [2022: Rs.4.66] due to an increase in profit during the year.

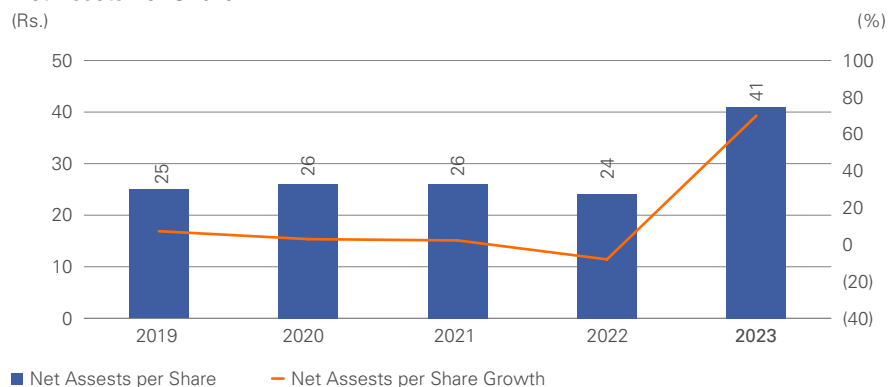
EPS vs Retention per Share



Net Assets Per Share (NPS)

Net Assets per Share increased by 70% to Rs. 41.00 due to an increase in the Market value of Financial Investments, current year profits and revaluation gain on Land and Buildings. The increase in market value of financial investments was due to the unrealized gains of the available for sale treasury assets stemming from decrease in interest rate at the year end.

Net Assets Per Share

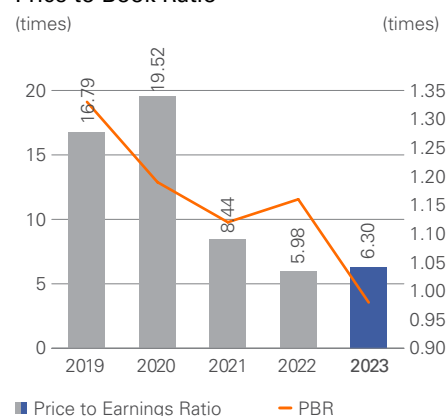


Price Earnings Ratio (PER) and Price to Book Ratio

UA's PER stood at 6.30 times as of 31 December 2023. It was higher than the 5.98 times recorded in 2022 mainly due to increase in Share Price. The sector and market PE stood at 7.17 times and 11.10 times respectively.

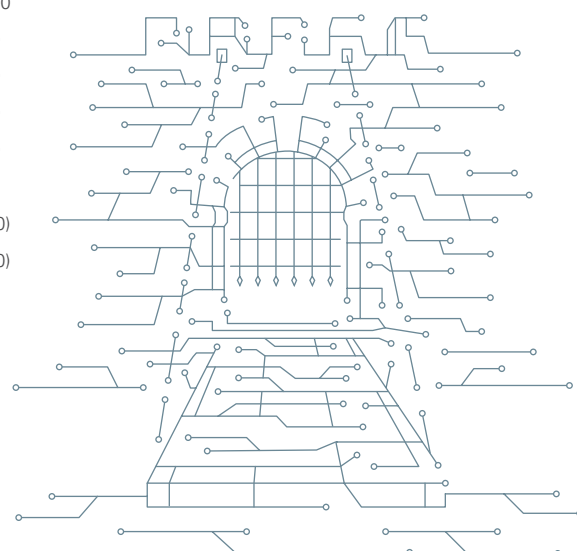
The price to book value ratio as of 31 December 2023 was 0.98 times compared to 1.16 times the previous year due to the increase in net assets. The sector and market price to book value stood at 0.79 times and 0.93 times respectively.

Price Earnings Ratio and Price to Book Ratio

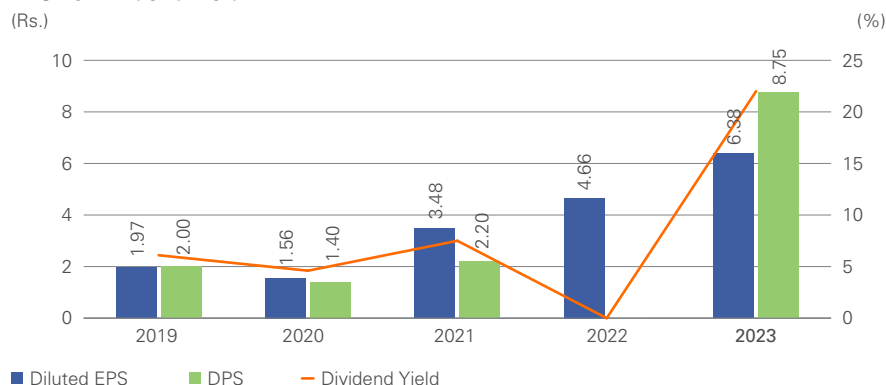


Dividend Yield

In line with UA's commitment to shareholder value, the Company has declared an 8.75 dividend per share (DPS), resulting in an impressive 22% dividend yield.



EPS vs Dividend Yield



Cash Earnings

5.51x

Dividend Yield

22%

Summary of Investor Ratios

		2023	2022	2021
Market Capitalisation	(Rs. Mn)	23,689	16,441	17,325
Diluted EPS	(Rs.)	6.38	4.66	3.48
PER	(Diluted)	6.30	5.98	8.44
Price to Book Value	(Times)	0.98	1.16	1.12
Price/Cash Earnings	(Times)	5.51	5.01	6.96
Dividend Yield	(%)	22	-	7
Dividend Payout Ratio	(%)	137	-	63
Net Assets Per Share	(Rs.)	41.00	24.12	26.23
TSR	(%)	75	(5)	4

Distribution and Composition of Shareholders

The Company has a diversified base of shareholders across a wide geographical spread and includes both private and institutional shareholders. The Company has 1,611 registered individual shareholders representing 93.8% of the shareholders. A majority of the individual shareholders are residents of Sri Lanka and 6.2% of the Company shareholding consists institutional shareholding. The top 20 shareholders hold 96.2% of UA's share capital. The Directors do not hold any shares as of 31 December 2023.

Composition of Shareholders

	31-Dec-23				31-Dec-22			
	No. of Shareholders	%	No. of shares	%	No. of Shareholders	%	No. of shares	%
Directors & spouses:	-	-	-	-	-	-	-	-
Resident:								
Individuals	1,596	92.95	36,484,120	6.19	1,676	6.23	37,072,610	6.23
Institutions	102	5.94	546,701,945	92.77	109	91.74	545,524,153	91.74
Non-Resident:								
Individuals	15	0.87	685,688	0.12	15	1.01	673,190	1.01
Institutions	4	0.23	5,413,967	0.92	5	1.01	6,015,767	1.01
Total	1,717	100.00	589,285,720	100.00	1,805	100	589,285,720	100

FINANCIAL CAPITAL

SHARE INFORMATION

Composition of Shareholders

	31-Dec-23				31-Dec-22			
	No. of Shareholders	%	No. of shares	%	No. of Shareholders	%	No. of shares	%
Less than 1,000	765	44.55	189,387	0.03	780	0.04	214,109	0.04
1,001 to 10,000	557	32.44	2,461,525	0.42	616	0.45	2,661,282	0.45
10,001 to 100,000	327	19.04	10,569,545	1.79	346	1.95	11,484,378	1.95
100,001 to 1,000,000	61	3.55	17,031,534	2.89	56	2.52	14,874,017	2.52
Over 1,000,000	7	0.41	559,033,729	94.87	7	95.04	560,051,934	95.04
Total	1,717	100.00	589,285,720	100.00	1,805	100	589,285,720	100

Public Shareholding

The Company is listed on the Colombo Stock Exchange and the percentage of shares held by the public, the number of public shareholders and the float adjusted market capitalization are as given below;

Range of Shareholders	31-Dec-23				31-Dec-22			
	No. of Shareholders	No. of Shares	% of Total Holding	Compliant under option 1 - float adjusted market Capitalisation (Rs. Bn)	No. of Shareholders	No. of Shares	% of Total Holding	Compliant under option 1 - float adjusted market Capitalisation (Rs. Bn)
Public Shareholding	1,715	58,923,570	10%	2.4	1,805	58,923,570	10%	1.6

Directors' Shareholding

No. of Shares as at	31.12.2023	31.12.2022
Mr. Krishan Niraj Jayasekara Balendra - Chairman	Nil	Nil
Mr. Suresh Rajendra	Nil	Nil
Mr. Daminda Prabath Gamlath	Nil	Nil
Mr. Dumith Hemantha Fernando	Nil	Nil
Mr. Stephen Anthony Appleyard	Nil	Nil
Mr. Pasan Thaminda Wanigasekara - Appointed w.e.f. 01 April 2023	Nil	Nil
Mr. Warnage Malinga De Fonseka Arsakularatne - Resigned w.e.f. 06 March 2023	N/A	Nil

CEO's Shareholding

No. of Shares as at	31.12.2023	31.12.2022
Mr. Jude Gomes - Resigned w.e.f. 31 December 2023	5,000	5,000

Twenty Largest Shareholders

Name of Shareholder	As at 31 December 2023		As at 31 December 2022	
	No. of shares	%	No. of shares	%
John Keells Holdings PLC	530,357,150	90.0%	530,357,150	90.0%
Mr. S. N. P. Palihena	14,000,000	2.4%	14,000,000	2.4%
Citibank Newyork S/A Norges Bank Account 2	4,673,967	0.8%	5,802,940	1.0%
Hatton National Bank PLC / Suktam Holdings (Pvt) Ltd	3,132,209	0.5%	5,168,750	0.9%
People's Leasing & Finance PLC / Mr. L. P. Hapangama	3,041,262	0.5%	1,844,414	0.3%
J.B. Cocoshell (PVT) LTD	2,335,411	0.4%	300,000	0.1%
Corporate Holdings (Private) Limited A/C NO.01	1,493,730	0.3%	1,493,730	0.3%
Mrs. A. Selliah	1,000,000	0.2%	1,000,000	0.2%
People's Leasing & Finance PLC / Mr. L. H. L. M. P Haradasa	805,325	0.1%	805,325	0.1%
Standard Chartered Bank DIFC Branch S/A EFG Hermes	670,000	0.1%	0	0.0%
Captain D. V. H. Palihena	641,625	0.1%	1,384,950	0.2%
Mr. J.D. Bandaranayake & Mrs. V. Bandaranayake & Dr. (Miss) I. Bandaranayake	590,190	0.1%	590,190	0.1%
Mr. J.D. Bandaranayake & Miss. N. Bandaranayake & Dr. (Mrs.) V. Bandaranayake	590,190	0.1%	590,190	0.1%
Invenco Capital Private Limited	590,000	0.1%	0	0.0%
Mr. J. W. Nanayakkara	562,500	0.1%	562,500	0.1%
Mr. H. A. D. Ratnapala	562,500	0.1%	562,500	0.1%
People's Merchant Finance PLC / R.T.S. De Silva	527,941	0.1%	827,109	0.1%
Dr. S. Selliah	500,000	0.1%	500,000	0.1%
Mr. V. Sharda	442,000	0.1%	442,000	0.1%
Mr. N. D. Kurukulasuriya	390,000	0.1%	390,000	0.1%
Others	22,379,720	3.8%	22,663,972	3.8%
Total number of shares issued	589,285,720	100.0%	589,285,720	100.0%

MANUFACTURED CAPITAL



Our Branch network, IT infrastructure and other customer contact points are captured under Manufactured Capital which in essence enumerates our Property, Plant and Equipment (PPE). Branch expansion and relocation that are aligned to our distribution strategy and investments in the digital value proposition, added value to our Manufactured Capital in 2023. "

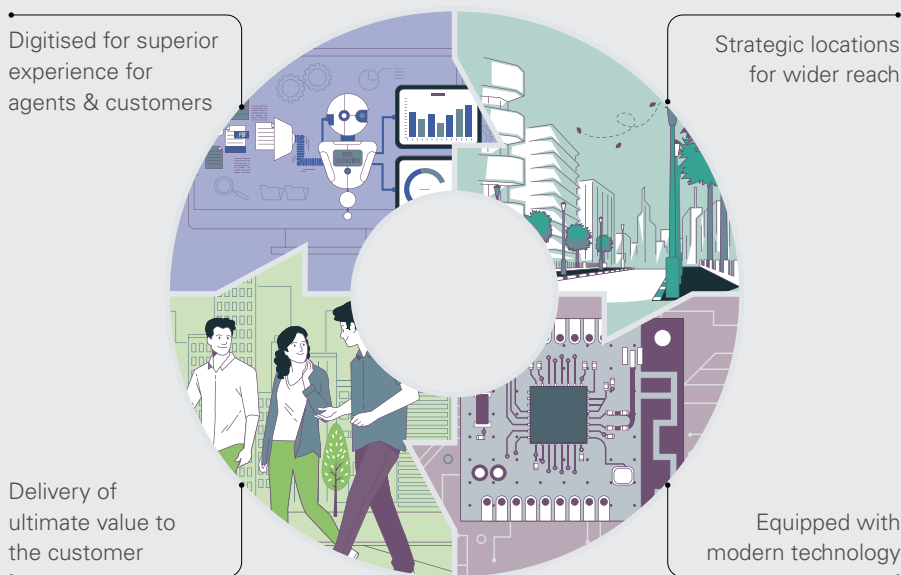
- Mansoor Rishad, Chief Agency Officer -

Our Focus

Manufactured Capital is an integral part of our success story, in many ways.



Contribution to Our Success



Collaboratively, the location, design and presentation of our branches, modern technology, and innovative digitisation, we believe, delivers superior customer experience.



Contribution to Corporate Strategy



Expand Agency Channel

Island-wide presence through our branch network



#1 Digital Insurer

Continuous investments in digital journey



Cost Optimization

Branch relocation for improved resource utilization



People Development

Expansion in physical spaces for training and development

Our Value Drivers

Branch Optimisation

Rs. 1,300 Mn

Revenue from relocated & refurbished branch network

Infrastructure Expansion

Rs. 67 Mn

Investments In PPE

Revenue per Investment in Manufactured Capital

Rs. 282

Return on Asset

3.9%

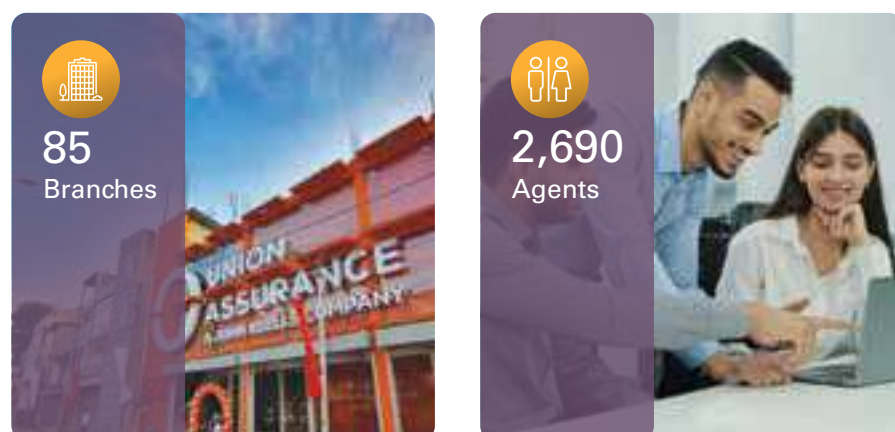
Total Capacity Utilization

294,065 sq. ft

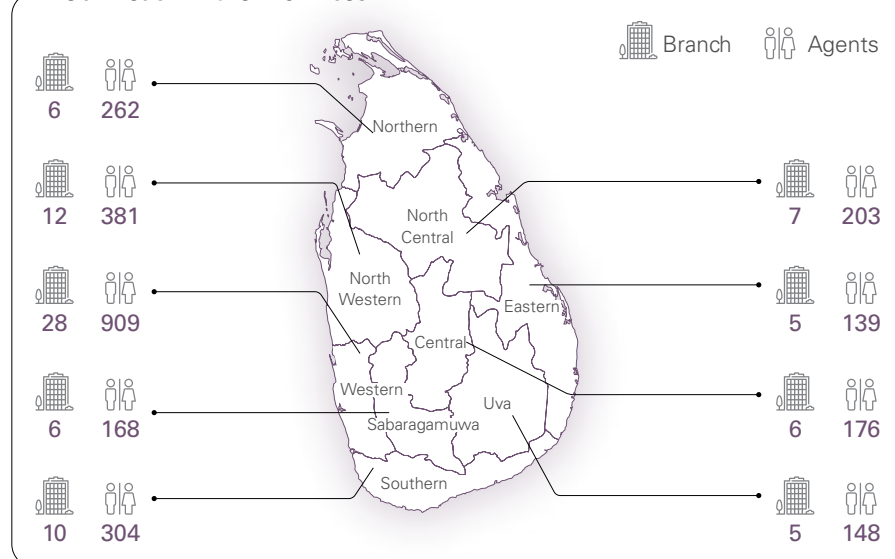
Building space

Branch Network

The strong visibility of the brand and easy access to the products and services are critically important to our success in the market and gaining customer confidence and a larger market share. In tandem with our digital trust, we have eighty-five branches, strategically located across the island. All of these are equipped with the latest technology, resourced with highly-skilled and well-trained staff fostering a customer-centric culture and are crucial to customer acquisition and retention.



Our Reach in the Provinces



We identified key locations with strategic value for customer reach

3

Relocated

- 📍 Kottawa
- 📍 Wennappuwa
- 📍 Gampaha

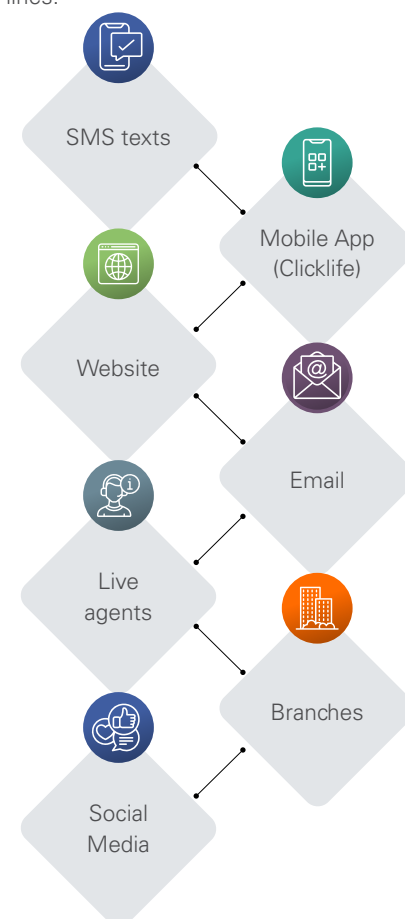
In order to provide a better environment for customer and employee interactions we prioritized six branches for upgrades

6

Refurbished

- 📍 Nikeweratiya
- 📍 Maho
- 📍 Moratuwa
- 📍 Tissamaharama
- 📍 Thambuththegama
- 📍 Valaichchenai

Our branches and agents are well supported by an omni-channel method of distribution, adding value to our property lines.



Wennappuwa Branch Relocation



Gampaha Branch Relocation

MANUFACTURED CAPITAL

Contribution to our Business

In addition to the strong brand, our branch network, which is attractively maintained while complying with health and safety measures, delivers several key social factors both to our employees and customers alike.

Employees

- Training and development
- Attractive and safe workplace
- Skills recognition
- Fostering a strong workplace culture

Customers

- Personalised service
- Sense of security
- Convenient location
- Efficient service

We adhere to and comply with all regulatory requirements and continuously address the upkeep and testing of safety measures under our Business Continuity Plan to ensure safety of the premises. Similarly, we offer a modernised workplace, ergonomically designed to preserve the long-term well-being of all concerned.

Investment in Property, Plant and Equipment

Investing in PP&E include the acquisition of office buildings, computer systems, furniture, vehicles, and other physical assets necessary for the Company's day-to-day operations. Careful management of investments in PP&E, considering factors such as depreciation, maintenance costs, and technological obsolescence is crucial as it contributes to the Company's overall capital structure and its ability to deliver insurance products and services to customers



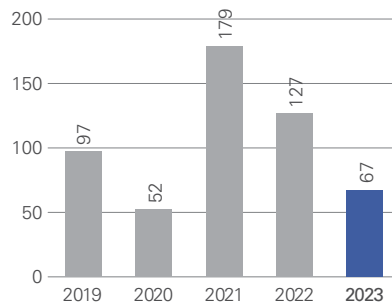
28%

Fully depreciated plant and machinery

This garnered a net book value of Rs. 2,191 Mn in Land, Rs. 540 Mn in Building and Rs. 275 Mn in other investments in 2023.

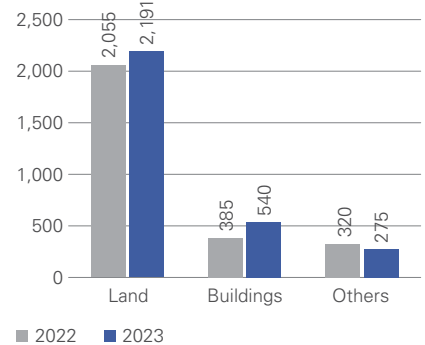
Investment in Property, Plant and Equipment

(Rs. Mn)



Net Book Value

(Rs. Mn)



Total Training Space

We strongly believe that when it comes to investment, the employee/employer relationship is reciprocal. Investing in training space is crucial for employee development, skill enhancement, and compliance training. Hence, physical facilities and assets dedicated to training and development are considered as a main driver in our value creation process. Continuous investment in up-to-date training facilities contributes to the overall effectiveness and competitiveness of the organization by ensuring that employees are well-equipped with the knowledge and skills needed to perform their roles

As an investment in this, we have constructed an additional new training hall on the first floor of the head office with a floor area of approximately 626 sq. ft during the year.



New Training Hall at Head Office



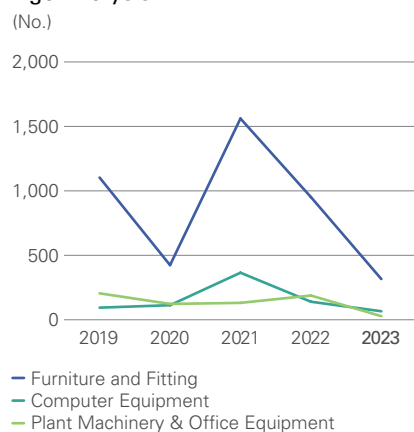
Main Board Room at Head Office



Training Space Enhancement

52,237 sq. ft
of training space

Age Analysis



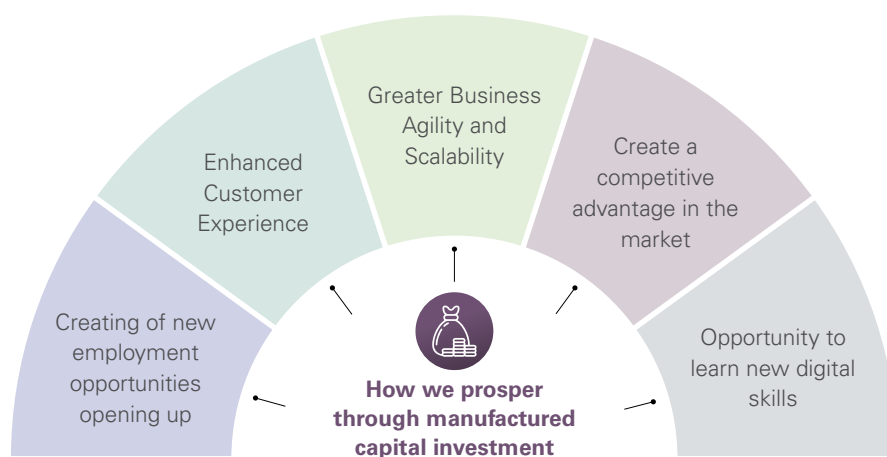
Risk Mitigation in Branch Development

Key Risks	Mitigation
Price fluctuations and shortage of required materials in the market. This leads to considerable delays in the project execution, incurring an increase in cost over the budgeted.	Changes to the scope of initial proposals with alternative options which ensure the ultimate objective.
Fire & natural disasters	- Both are covered under the Company BCP (risk mitigation plan). - We commenced awareness sessions for the Regional Managers and the new recruits.



Maintenance Certification

We have taken several initiatives to ensure regular maintenance of assets. All the assets are recorded as per the date of purchase and some assets are subject to service maintenance. We have obtained certification applicable to each class of assets.



Objectives for 2024 and beyond

	2024 Short Term Target	Medium to Long Term Target
Expansion of Branch Network	Addition of six new strategic locations, relocation of twelve and refurbishment of ten branches	Continue to invest in expansion of physical presence based on strategic need
Repair & Maintenance	- Timely BCP testing to mitigate any risks arising from property, plant, and equipment. - Reduce Repair & Maintenance budget utilization by 5%	Continuous initiatives to enhance the asset usability & Life time.

HUMAN CAPITAL

//

"The successful delivery of our brand promise is directly impacted by the professionalism, dedication, and knowledge of our employees. As such, we invest significantly in training and upskilling them and provide many opportunities of engagement with the Company, to nurture and retain with us."

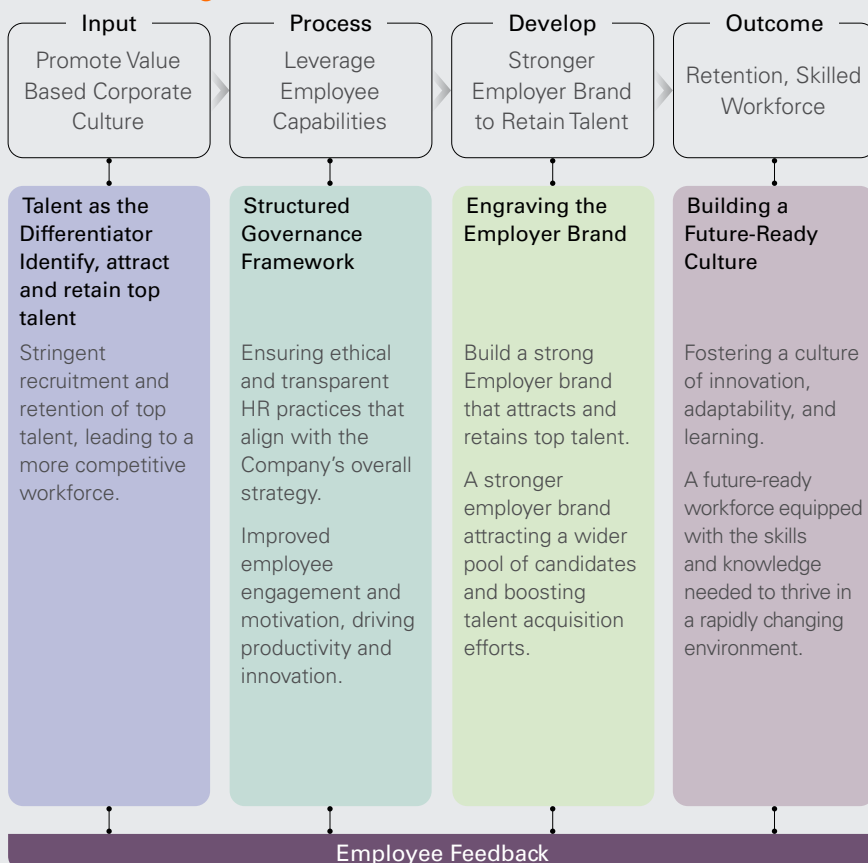


- Imtiyaz Aniff, Chief People Officer -

Our Focus



Our Value Adding Framework



Contribution to Corporate Strategy



People Development

Fostering a culture of diversity, innovation and learning to continuously upskill and retain talent within the Company

Our Value Drivers

Diversity, Equity, and Inclusion (DE&I)

51:49

Women to Men ratio

Learning and Development

Rs. 20 Mn
investment

Remuneration and Benefits

Rs. 1.6 Bn
paid as remuneration and other benefits in 2023

Employee Engagement

13+
recreational activities in 2023

Revenue per Employee

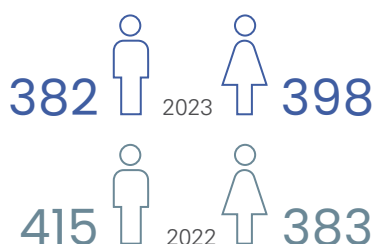
Rs. 24 Mn

Social Welfare Cost per Employee

Rs. 12,767

Our Action

Gender diversity is a critical aspect of our employee cadre and is foundational to our recruitment strategy, where we hire male and female at a similar consistent rate with equal pay and equal opportunities along the career path.



Diversity, Equity, and Inclusion (DE&I)

"We are an equal opportunity employer and we value our people from every ethnicity, race, religion, gender identity, sexual orientation, age and ability"

In line with 'One JKH' brand, the Company continues to augment its DE&I culture with vigour, implementing strategies for equitable treatment, inclusivity of employees drawn from diverse backgrounds and capabilities, empowerment, equal opportunity, equal participation, zero tolerance on discrimination, and diverse value chains. This aspect of the Company is governed by the Diversity, Equity & Inclusion policy, that weaves a robust framework around all DE&I activities.



Implemented
100 days
Equal Parental Leave

Entitled		Utilized	
Male	Female	Male	Female
382	398	8	15

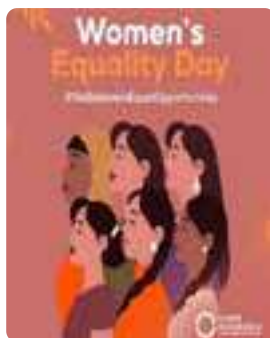
During the reporting year 9 female and 8 male employees returned to work and 6 female employees will return to work in the year 2024.

Workplace Practices to Promote Gender Parity and Create Awareness

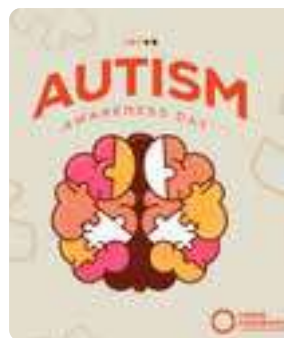
Trainings targeting elimination of gender or different-ability bias was carried out.

The Company has a good mix of male and female in leadership roles as well as across all functions, including IT, which traditionally was male dominant.

We are confident that creating awareness on inclusion will contribute to the inclusive work culture and naturally create the sustainability we seek.



Women's Equality day



Autism day



Pride month

Category	Head Count - Male	Head Count - Female	Total Head Count	Average salary ratio - Male	Average salary ratio - Female
Senior Mgt & above	46	9	55	0.59	0.41
Middle Mgt	145	56	201	0.48	0.52
Senior Executive	40	33	73	0.50	0.50
Executive & below	151	300	451	0.54	0.46
	382	398	780		

* Above ratios are calculated based on basic salaries paid to employees

Policy Driven Gender Parity

Diversity, Equity and Inclusion

- Creating an inclusive workplace without discrimination

Gender Pay Equity

- Guarantees equal remuneration and benefits for equal roles, responsibilities and functions

Zero Tolerance

- Eradicating sexual harassment in the workplace

Grievance Handling Process

- To address any issues arising out of breach of any of the policies

HUMAN CAPITAL

Learning and Development



Graduate Internship Programme

During the year UA introduced 'Uniship' internship program to nurture talents of young undergraduates. The program ensures to provide fruitful experiences to the students by offering a path to start their corporate journey.



Training needs Identification

One-to-one conversations with employee to identify the training need

Need identification, compilation of needs and registration of the employee for appropriate training

The employee registered voluntarily according to the quarterly training calendar

Training evaluation to ensure the objective of the respective training was achieved

Learning and Development Programmes

We offer our employees training in different modes i.e. workshops, seminars, online courses, certification programmes, industry courses and, where necessary, training overseas. A structured five-pillar method is used in implementing our Training Programmes.



Value Creation Methodologies

Recruitment and Retention

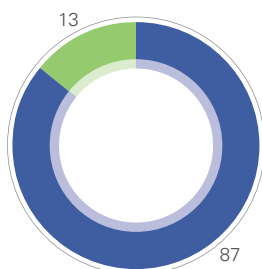
A stringent recruitment process is followed to ensure on-boarding top talent, with the future in focus for a sustainable business where organizational knowledge and soft skill mastery are key criteria.



Employees Composition

by Employment Type

(%)

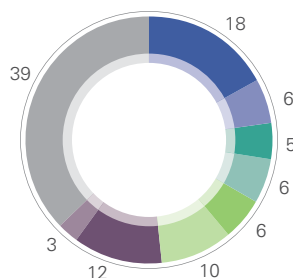


● Permanent ● Contract

*All 780 employees are full time employees

Contract

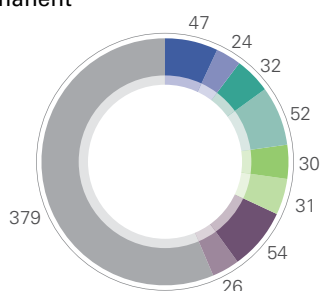
(No.)



● Central ● Sabaragamuwa
● Eastern ● Southern
● North Central ● Uva
● North Western ● Western
● Northern

Permanent

(No.)



● Central ● Sabaragamuwa
● Eastern ● Southern
● North Central ● Uva
● North Western ● Western
● Northern

As a hard-sell service, insurance Companies need a large sales force to reach the uninsured. Our permanent staff cadre, therefore, are well-supported by an able and dedicated sales force that contributes significantly to our success.

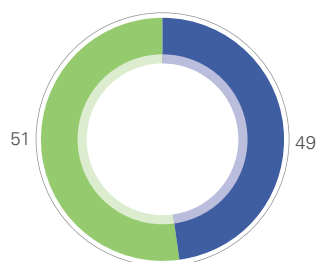
Employees by Category	Female	Male	Total
Fixed Term Contract	64	41	105
Central	9	9	18
Eastern	4	2	6
North Central	5	-	5
North Western	6	-	6
Northern	2	4	6
Sabaragamuwa	7	3	10
Southern	8	4	12
Uva	3	-	3
Western	20	19	39
Permanent	334	341	675
Central	27	20	47
Eastern	12	12	24
North Central	15	17	32
North Western	26	26	52
Northern	17	13	30
Sabaragamuwa	16	15	31
Southern	28	26	54
Uva	13	13	26
Western	180	199	379
Total	398	382	780

New Recruits

In 2023, we engaged 277 new recruits, out of which 204 have already commenced their careers with us.

New Recruits by Employment Type

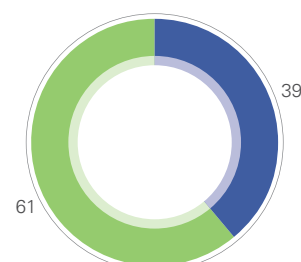
(%)



● Permanent ● Contract

Gender Composition of New Recruits

(%)



● Male ● Female

Employment Type	Female	Male	Total
Fixed Term Contract	92	49	141
Permanent	77	59	136
Total	169	108	277



15

Positions filled in by internal talent

HUMAN CAPITAL

Non-discriminatory nature of our recruitment process ensures that we retain a good gender parity as well as a good mix of age categories. This helps in transferring organizational knowledge in a seamless manner as mentoring the millennial and Gen Z takes place daily, while on the job.

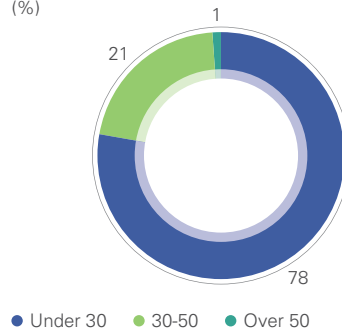
Resignations



32%

Rate of Attrition

Age Categories (%)



Rs. 4.8 Mn

Profit per Employee

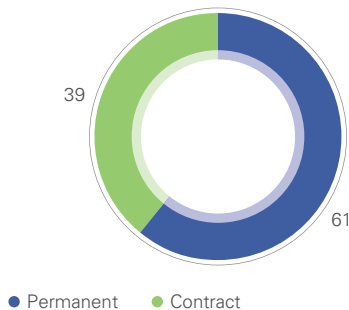
Remuneration and Benefits

A competitive package is offered to our employees, which is determined based on employee category, job role, responsibilities, skill level, experience, and competencies. In addition to the remuneration, the Company offers an attractive benefit package, based on market and industry standards.

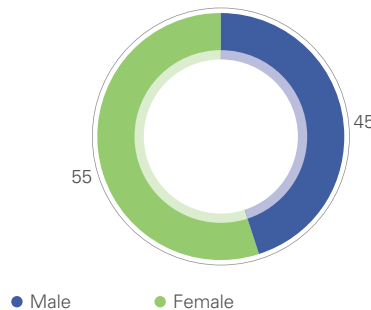
In addition to the remuneration package, Company offers annual increment, medical insurance, life and personal accident insurance, critical illness covers, total and permanent disability cover and 100 day parental leave, to both parents.

Employment Type	Female	Male	Total
Fixed Term Contract	65	49	114
Permanent	96	85	181
Total	161	134	295

Resignations by Employment Type (%)



Gender Composition of Resignations (%)



Rs. 191 Mn

Defined Benefit Plan

Equal Pay

A non-discriminatory employer without any gender polarization, the Company pays an equal salary to all its employees, based on their skill and competencies, encouraging diversity in its talent pool.



Rs. 64 Mn

External Workforce Cost

*Outsourced staff cost



Rs. 11 Mn

Recruitment Cost of Support Staff



Salaries and Benefits

Rs. 1,450 Mn

EPF and ETF Payments

Rs. 139 Mn

Total Payments

Rs. 1,589 Mn

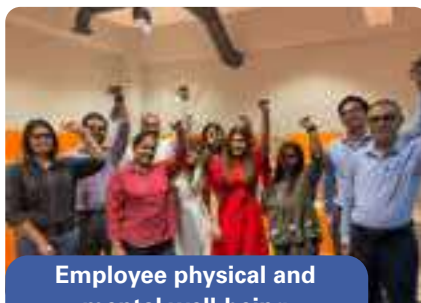
Employee Engagement

The Company introduced a variety of engagement opportunities to the employees throughout the year both internally and collaborating with JKH Group. This, we are confident creates belonging in the workplace, promotes team effectiveness and builds leadership qualities in a non-invasive manner where employees can display their soft skills, in friendly atmospheres. We held several celebratory and fellowship-building events through the year to promote employee engagement.



Thai Pongal

To celebrate Thai Pongal, we held two separate events, one at our Jaffna branch and another at the Head Office.



Employee physical and mental well-being

Yoga sessions, CrossFit sessions and Work Life Balance sessions were held to promote wellness and well-being of the employees.



Avurudu Festival

Avurudu festival held at the Head Office had our employees engaging in many traditional games and enjoying traditional sweet-meats.



Poson

Poson was marked with bhakthi-geetha programme and a 'dansala' at the Head Office, where employee participation was high.



Ramazan

Ramazan was celebrated with a breaking-fast food table and a mehendi ceremony.



Sports Day

Successfully held the UA Sports day at the Air Force ground with the participation of staff island-wide.



Talent Show

2nd UA Talent Show (Prathiba Prabha) was held with the participation of our internal staff who presented their performances.



Centre Functions Annual Awards

Centre Functions Annual Awards was held at the Waters Edge Hotel to recognize exceptional performances of support functions.



UA BALL - 2023

Our Annual Dance was held successfully at the Waters Edge Hotel, with over 500 employee participation.

HUMAN CAPITAL

Two-way Communication

We encourage open communication and value employee feedback on various aspects or issues in the workplace. Grievance Handling and Whistleblower Policies are two important tools that are in place to ensure two-way communication. No grievances were reported in year 2023.

Employee Recognition

Channel-wise Awards and Service Champion Award ceremonies were held to compliment and recognize employees as a further motivation and a nurturing method.

Category	Description
Tenure	Long service award for 25 years of service. 3 employees were awarded for the year 2023
Individual performance	1. Star of the Month 2. Star of the Quarter 3. Most significant contribution for the division 4. Employee of the Year 5. Spot Recognition - to recognize the excellence in the displaying a behaviour aligned to the Company values 6. Employee personal milestone celebration - to recognize achievements and representation in sports at national level.
Team performance	1. Team Up Quarterly Award 2. Team Up Annual Award 3. Digital Transformation Initiative of the Year

Performance Management

Performance of our Company is dependent upon a highly-skilled and motivated employee cadre whose delivery is evaluated in a structured manner. Performance management therefore, is a process that

takes place periodically and on an annual basis, measuring delivery of their job functions against the key performance indicators and values attached to them. The Company uses financial and non-financial metrics for the appraisal process, to measure

performance against set goals and targets. This is a critical step in moving them up the career ladder or monitoring them further to mentor to move into more responsible roles, according to organizational requirements and their career goals.

HR Compliance

Area	Our Action
Compliance with rules and regulations relating to compensation, dismissal, recruitment, promotion, working hours, other benefits, and welfare	We are complaint with all labour laws enforced ,rules and regulations placed by the authorities of Sri Lanka. No incidents of fines or sanctions charged during 2023 for non compliances.
Use of child labour & forced labour	Company has clear policies to avoid employment of under age and forced labour. During the year no such incidents were reported.
Non compliances relation to labour practices	We continue to encourage improvements to our labour practices and engage in continuous monitoring for any non-compliances. We develop our policies based on the best practices available.
Compliance with laws and regulations to provide safe work environment	We as a Company is committed to creating hassle free safe work environment for all our employees. We ensure that all health and safety policies, protocols and standards are in place to protect employees from any kind of harm. No work-related fatalities, injuries or hazard incidents were reported during the year.
Protecting human rights	Our HR policy ensures Company commitment to protecting human rights and safeguarding employee rights. No violations were reported in year 2023.

Health and Safety

To ensure occupational health and safety, the Company implements a process of identification and elimination, or minimization of risks associated with each work segment.

Developed in consultation with employee participation, risk mitigation methodologies are clearly communicated to all levels that are exposed to unique risks in each job function.



Fire drill programmes

Leadership trust

According to the GPTW survey carried out in 2022 our employees were satisfied about leadership in terms of performance, competency, and strategy implementation.

Human Rights / Resource Policies

Anti-Fraud, Anti-Corruption and Anti-Bribery Policies



To prevent, report and mitigate the risks of fraud, corruption and bribery and promote a transparent work ethic

Whistleblowing Policy



Encouraging employees to report any unethical situations, under strict confidentiality

Controls on Gift Receiving and Offering Favours



To discourage employees from resorting to biased service delivery and conduct their business in the most ethical manner

Code of Conduct



Employees are required to sign-in and live by the values contained in the Code of Conduct. Violations invite formal inquiry

Succession Planning



A key aspect of the longevity and continuation of the organizational bench-strength, especially in the present context of mass migration of employable talent.

Succession

According to Company's leadership succession plan, Mr. Senath Jayatilake, previously the Deputy Chief Executive Officer, took over reigns as the Chief Executive Officer with effect from 1st of January 2024 upon completion of Mr. Jude Gomes's tenure as Chief Executive Officer on the 31st of December 2023.

Objectives for 2024 and beyond

	2024 Short Term Target	Medium to Long Term Target
Building a strong talent pipeline	⊙ Proper succession planning and successor development	⊙ Ensure all critical roles have multiple successors ready to fill in the vacancy
Maintain Gender parity	⊙ Ensure gender parity targets established for the organization is achieved	⊙ Ensure a healthy gender balance is maintained at Managerial level roles
Training & development	⊙ Investment in employee training & development	⊙ Build a future-ready workforce equipped with the skills and knowledge
Active employee engagement & participation	⊙ Provide opportunities for employee engagement through a variety of activities	⊙ Improved employee engagement and motivation, driving productivity and innovation.

NATURAL CAPITAL

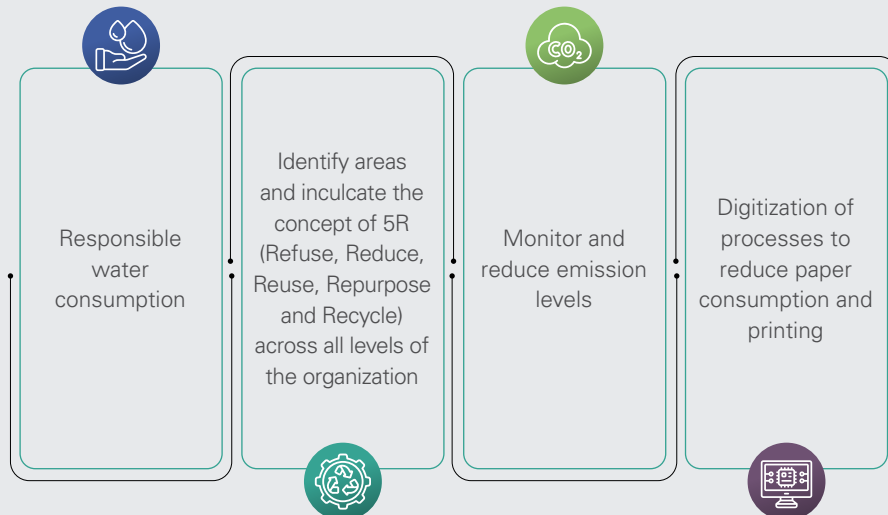
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As a responsible Corporate Citizen with sustainable practices across the business, our robust systems and processes ensure a positive contribution towards preserving an endangered environment and conserving the limited resources of energy, water and masterful management of emissions and waste."



- Saman Munasinghe, Assistant Vice President Procurement & Logistics -

Our Focus



Contribution to Our Success

Waste Management

Inculcate the concept of 5R (Refuse, Reduce, Reuse, Repurpose and Recycle) across all levels of the organization.

Emission Management

Independent assessment of emission levels against set emission targets.



Water Management

Monitoring water usage levels and creating awareness on water conservation.

Energy Management

Proactively identifying areas where energy efficiency could be increased and gradually shifting to renewable energy sources.

In the year under review, we imprinted our ecological footprint in a responsible manner, in usage and disposal of our water, energy and other resources.

Contribution to Corporate Strategy



Cost Optimization

Effective resource utilization to reduce consumption and wastage



Consolidate Brand and Secure Key Spaces

Creating a positive impact to our communities

Our Value Drivers

Water Main-Line Consumption per Employee

33.43m³

Energy Consumption per Employee

11.01GJ

GHG Emission per Employee

1.24tCO₂e

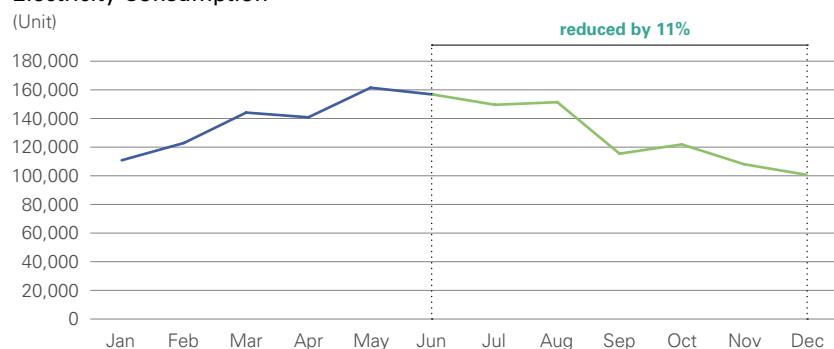
Paper Recycling

6,255kg

Accumulated Energy Savings during the Year

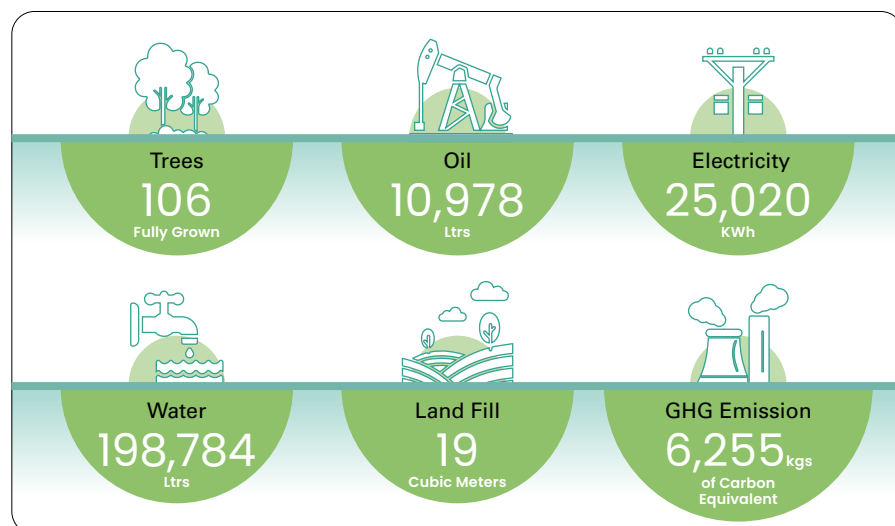
Electricity consumption gradually reduced from June onwards due to the measures we have taken to reduce consumption. The first six months of the year 2023 consumed 836,946 units while second six months of the year has consumed only 747,141 units which is 89,805 units lesser.

Electricity Consumption



Our positive contribution to the Environment with Paper Recycle

During the year, we engaged with Neptune Papers (Pvt) Ltd to dispose 6,255 kg of waste paper which resulted in a positive impact to our environment in numerous ways.



Our Perspective on Climate Change

Climate change has the potential to significantly affect the insurance industry. As the climate continues to shift, insurers face increased financial risks from payouts and claims for incidents related to extreme weather conditions.

Climate change poses an imminent threat to both the short-term and long-term stability and sustainability of insurance operations.

As a responsible corporate citizen, we are dedicated to helping to preserve natural resources and achieve a sustainable reduction in emissions in light of the growing global implications of climate change. Key passages from our ESG policy, which formally documents our commitment to the environment. The Company complies completely with all environmental standards and guidelines, and no fines or penalties were assessed during the year.

Our Strategy: Adapting pricing strategies, using innovative technologies, and collaborating with industry stakeholders may be the way forward.

Go Green - Policy Certificate and e-Policy Document



To enhance the Company's dedication towards green initiatives, a policy certificate along with the E-policy document was introduced with the aim of minimizing the industry's ecological footprint, promoting sustainable practices, and contributing to the broader environmental conservation efforts.



Employee communication on zero waste day

NATURAL CAPITAL

Our Action

In the year under review, we imprinted our ecological footprint in a responsible manner, in usage and disposal of these resources.

Water



Our Goal

Sustainable and efficient usage of water resource

Our Action

- ⊙ Use sensor taps and vacuum syphons.
- ⊙ Create awareness among the staff on minimal water wastage.

The Outcome

	2023	2022	
Water-Main Line (m ³)	17,319	15,062	15%
Bottled Water (m ³)	309.54	240.16	29%
Water Usage per Rs. 1 Mn of Revenue (m ³)	0.9	0.9	-

- ⊙ As the hybrid work mode reverted to on-site work, with the current hybrid work model being majorly focused on on-site work the water consumption increased in 2023. Nevertheless, our continued efforts contained the increased within reasonable boundaries.

Water Intensity

0.60m³

Bottled Water consumption per Employee

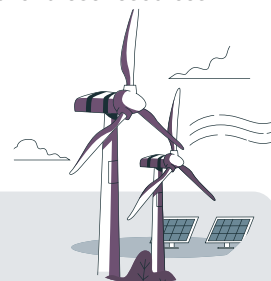
33.43m³

Water consumption per Employee



Sensor Taps

Electricity and Energy



Our Goal

Sustainable and efficient management to optimise and improve energy consumption.

Our Action

- ⊙ Data collection and metering to closely monitor consumption.
- ⊙ Creating awareness on opportunities to save energy.
- ⊙ Close tracking progress on consumption.
- ⊙ Introducing a power saving mechanism on air conditioners.

The Outcome

	2023	2022	
Electricity consumption (GJ)	5,703	5,284	8%
Energy consumption per Rs. 1 Mn of Revenue (GJ)	0.30	0.32	(6%)

- ⊙ Marginal increase is attributable to the increased on-site activity in 2023.

Energy Intensity

11.01GJ

Energy consumption per Employee

0.02GJ

Energy Consumption per Capacity Utilisation

67.09GJ

Energy Consumption per Branch



Power Saving Equipment for Air Conditioners

Emission Management



Our Goal

Lowering GHG Emission Levels.

Our Action

- Cutting down on carbon-intensive activities and the use of fossil fuels
- Our technology platforms were used for meetings and conferences involving overseas counterparts to minimize travelling.
- We encourage our employees to move towards electric and hybrid vehicles.

The Outcome

	2023	2022	
Fuel (litres)	18,943	23,102	-18%

	2023	2022	
Emissions (tCO ₂ e)	966.50	986.15	-2%

GHG Emission-Certificate of Assessment:	GHG Emission (tCO ₂ e)
Direct (Scope 1)	47.46
Energy Indirect (Scope 2)	836.81
Other Indirect (Scope 3)	82.23
Total Carbon Footprint	966.50

Emission Intensity

1.24tCO₂e

GHG Emission per Employee

2%

Reduction of GHG Emission

Waste Footprint



Our Goal

Contribute positively to preservation of our environment.

Our Action

- Craft our action based on the 5R Principle - refusing, reducing, reusing, repurposing, and recycling, while creating awareness among the employees.
- Hazardous and non-hazardous waste is sorted and disposed separately under strict guidelines.
- Neptune Papers (Pvt) Ltd is engaged to dispose of our waste papers in an environmentally friendly manner.
- Segregation of food waste is best done at the source (i.e. at the point of generation) as it is less efficient to separate it once it is mixed with general waste.
- Maintenance of Water Purification Treatment System at Kurunegala to release effluent water as per government approved procedure with Lalanka Engineering Company (Pvt) Ltd.

The Outcome

	2023	2022	
Paper recycling (kg)	6,255	6,620	-6%

	2023	2022	
Solid waste (kg)	2,299	2,685	-14%

	2023	2022	
Water Treatment (m ³)	2,849	2,741	4%



Segregation of Food Waste

NATURAL CAPITAL

Future Initiatives



Our Response

Our action, in response to positively engaging in this critical issue is woven around our business and in the way we conduct our daily activities.

Consistent monitoring and disclosing in a responsible manner

Usage of limited resources in an accountable manner and building processes across businesses to ensure this aspect

Including stringent climate related screening into supplier on-boarding and urge our customers to live eco-friendly lifestyles.



Further strengthen the reporting and governance framework on climate related issues



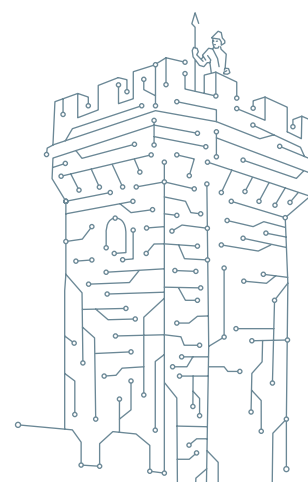
Continue to practice viable resource utilization across businesses daily



Stringent screening processes for supplier on-boarding where responsible eco practices will be evaluated



Encourage all our stakeholders to uphold eco-friendly lifestyles and create awareness, where necessary



Objectives for 2024 and beyond

	2024 Short Term Target	Medium to Long Term Target
Pollution-less environment	⊙ Overall waste reduction at HO by 5 %	⊙ Continuous reduction in fuel consumption to positively contribute to the natural environment
Controlled paper usage	⊙ 6% reduction in paper usage	⊙ Making best efforts to form a paperless organization
Innovative measures to reduce power consumption	⊙ Install power saving tool in Air conditioners to reduce energy consumption at head office	⊙ Extend Air conditioner power saving mechanism throughout the branch network
Long term measure to take control over energy management	⊙ Reduce electricity consumption	⊙ Installation of solar panels subject to the feasibility study

CERTIFICATE OF CARBON FOOTPRINT



12/02/2024

Certificate of Assessment – Greenhouse Gas Emissions Inventory

This is to certify that **The Climate and Conservation Consortium (CCC)** has conducted an Organisational Greenhouse Gas (GHG) Assessment for the operations of Union Assurance PLC using data provided by the client for stipulated emissions sources and activities as described in the table below. Following the assessment, CCC can confirm that the Carbon Footprint of the Organisational Operations of Union Assurance PLC for the calendar year 2023 is **966.50 tonnes of Carbon Dioxide Equivalents (tCO₂e)**.

Reporting Scope	Emissions Source	Emissions Activity	Emissions Total (tCO ₂ e)
Scope 1 – Direct Emissions	Stationary Combustion	Generator Fuel	2.51
	Mobile Combustion	Long-term Leased Vehicles (Operational)	44.95
SCOPE 1 TOTAL EMISSIONS			47.46
Scope 2 – Indirect Emissions	Purchased Electricity	Electricity Consumption	836.81
SCOPE 2 TOTAL EMISSIONS			836.81
Scope 3 – Indirect Emissions	Purchased Electricity	Electricity Transmission and Distribution Losses	80.74
	Waste Transportation	Third-party Outbound Waste Transportation	0.03
	Waste Disposal	Waste Disposal	0.15
	Employee Commuting	Employees Commuting to and from Work	1.30
SCOPE 3 TOTAL EMISSIONS			82.23
TOTAL SCOPE 1, 2 & 3 CARBON FOOTPRINT OF UNION ASSURANCE PLC			966.50

The calculations were carried out in accordance with the **Greenhouse Gas Protocol – Corporate Accounting and Reporting Standard (GHG Protocol)** developed in partnership with the **World Business Council for Sustainable Development** and the **World Resources Institute**. This standard provides guidelines regarding organizational and operational assessment boundaries, quantification and standard reporting practices.

Our calculations have applied the methodologies stipulated in the GHG Protocol to a limited scope as requested by Union Assurance PLC, and the client is solely responsible for the authenticity, relevancy and accuracy of the data provided for this GHG Assessment (*data has not been independently verified*).

Yours faithfully,

Authorized by:

 KANISHKA JAYASINGHE

Kanishka Jayasinghe
 COO and Head of New Business, Client Engagement, and MarComms
The Climate and Conservation Consortium

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 PV 74495

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Climate & Conservation Consortium (Pvt) Ltd

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 E: info@climateconserve.com

SOCIAL AND RELATIONSHIP CAPITAL

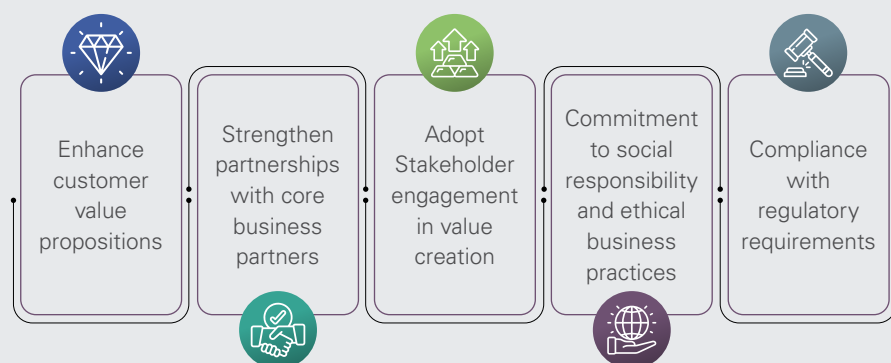


Trust, transparency, and accountability are the foundations on which we build relationships with our customers, business partners and communities. The years of experience we have had in the insurance market has equipped us to identify the needs unique to each relationship group and fulfil them, for mutual benefit and for the longevity of the Company."

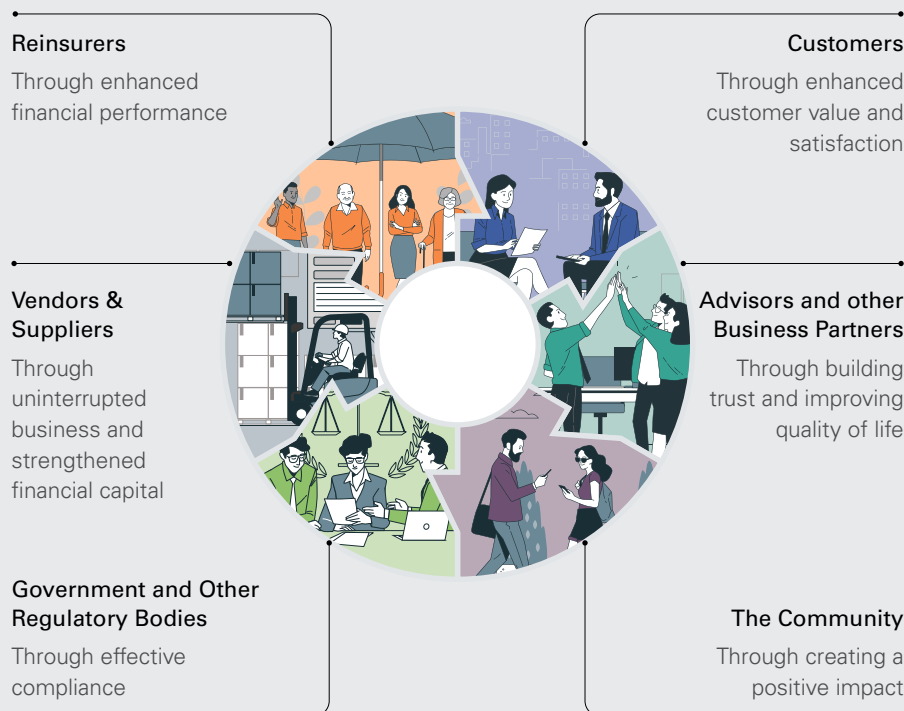


- Rumesh Modarage, Chief Operating Officer -

Our Focus



Contribution to Our Success



Contribution to Corporate Strategy



Expand agency Channel

Exceptionally performing field staff to ensure quality business



Optimize Bancassurance Partnerships

Strengthen bancassurance partnerships to cater to top line growth



Cost Optimization

Healthy relationships with business partners lead to cost savings and delivery of goods and services on time



Consolidate Brand and Secure Key Spaces

Stakeholder engagement through marketing channels to improve customer perception



Customer-Centric, Profitable, Balanced Product Portfolio

Understanding customer value drivers to deliver a diverse product portfolio

Our Value Drivers

289,000+

Lives Insured

2,690

Total Agency Cadre

7

Bancassurance Partners

Our Value Drivers Contd.



Rs. 3,842 Mn

Total payments made to local suppliers



0.05%

CSR as a % of Revenue



4

Reinsurance Partners



283

MDRT Qualifiers



Rs. 5,500 Mn

Revenue from New Customers



Our Customers

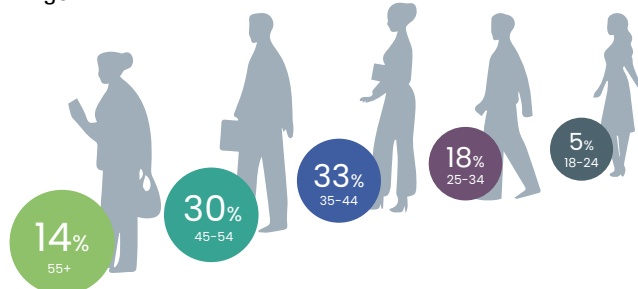
The core of our business is the customers we serve and protect through our product range. Reaching them by engaging in a variety of activities helps us understand their needs for protection or investments and offer a packaged deal that suits their individual needs

Demographic Snapshot

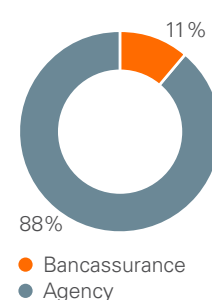
Gender



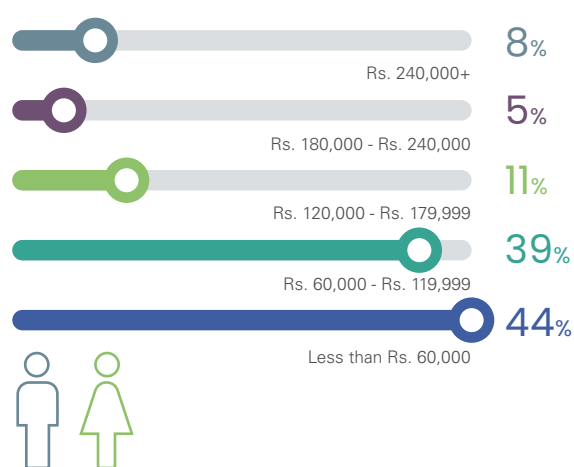
Age



Channel



ANBP



Location



Our Value Proposition

1. Diverse product offering to cater different customer segments

We offer our customers a variety of insurance products for protection, savings, health and a comfortable retirement.

Depending on the age category and other individual factors, we can offer them a product that will fulfil their aspirations while offering a buffer for the families, in the instance of an unforeseen event occurring to the breadwinner.

Smart Wealth Builder, a new product which was developed in 2022, was launched in the year 2023. It is a fund accumulation universal life product with a loyalty bonus at maturity

SOCIAL AND RELATIONSHIP CAPITAL

Group Life	Investment	Protection	Education	Health	Retirement
Union Protect Group Insurance	Investment+ Union Life+ Smart Life Union Smart Investor Union Super Investor Smart Wealth Builder Union Sarumaga	Single Premium Advantage Advantage Premium Life+ Smart Life Union Loan Protector Union Ultra Protect	Sisumaga+	Health 360 Union Smart Health Premier	Union Pension Advantage

Product Responsibility

The benefits and features, terms and conditions of each product are well presented and explained to the customers and the prospects. A well-trained and equipped Advisory team supports the customers through their journey to achieve policyholder status. All our products are developed in line with established regulatory requirements and existing laws. Our omni-channel mode and an updated website support our customers to reach out to the Company, should they require any further clarification on the product range.

Customer Data Confidentiality

As an insurance provider, we gather and store information that is personal and confidential to the customer. We take utmost care in ensuring that their data is safe with us and engage our superior IT capabilities to facilitate this. We have had no data leakages or system hacks.



ISO 27001:2013 information security management system controls

Implementing a Centre for Internet Security (CIS) framework

Zero Trust platform to ensure cyber security



Accountability to customers

- ◉ **No** incidents of non-compliance concerning product and service information and labelling
- ◉ **No** incidents of non-compliance concerning marketing communications
- ◉ **No** substantiated complaints concerning breaches of customer privacy and losses of customer data

Our Brand Image and Reputation

For over three decades, Union Assurance has continued to be recognized as one of Sri Lanka's most prominent brands. With the goal of empowering Sri Lankan dreams, Union Assurance brand ethos is based on three tenants; 'Protecting Lifestyles,' ensuring our customers can enjoy life to its fullest despite the unexpected; 'Protecting Relationships,' by Insuring the lives and futures of our customers and their loved ones against losses; and 'Protecting Ambitions' by supporting the dreams and goals of everyone who aspires to be the best version of themselves

Customer Attraction		
	2023	2022
New Policyholders during the Year	42,000+	44,000+
3rd Regular new business provider Rs.Mn	5,500	4,666
Customer Retention		
	2023	2022
Persistency (13M)	82%	82%
Market share	12.34%	12.24%
Customer Engagement		
	2023	2022
Clicklife App downloads	17,000+	11,000+
Instagram followers	5,797	4,566
Customer Satisfaction		
	2023	2022
One day claims settlement ratio	94%	91%
Customer complaints	231	225

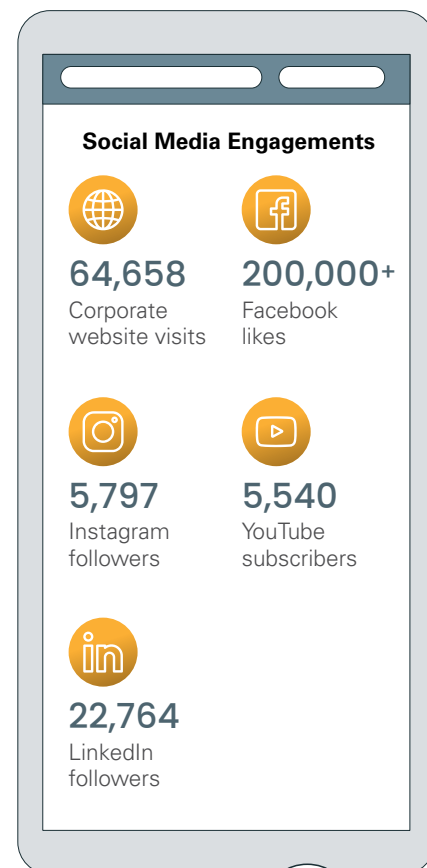
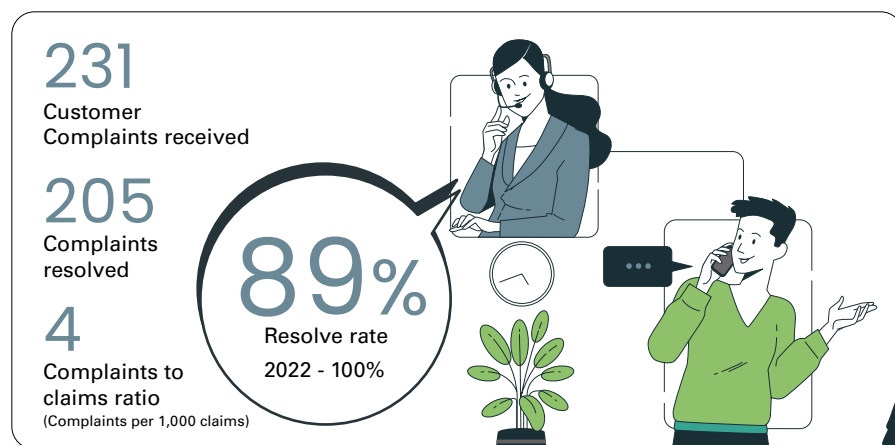
2. Multiple delivery Channels

With 85 branches, 7 Banca partnerships, Brokers and digital Clicklife App, our customers have greater accessibility and convenience in reaching us for their needs and concerns. We have also tied up with multiple service providers to make available a wide array of payment channels to our customers.

3. Complaints management

A multi-platform complaint lodging is available to the customers through all branches, head office, social media, WhatsApp, website chat bot, a hotline, and emails. The Agent Inquiry Resolution Committee (AIRC), Customer Feedback and Service Committee (CFS) comprising senior management carries out weekly reviews to ensure the effectiveness of the Complaint Management System. Board Audit and Compliance Committees (BACC) diligently oversees the progress of complaint management, and to ensure the complaints are resolved within the service level time frames.

The complaints management unit overlooks customer policy related details along with agent mis-selling and misappropriation of policies.



4. Customer engagement

We engage with our customers through multiple channels enabling us to maintain a constant dialogue and always remain accessible to our customers. Ongoing engagement also enables us to proactively identify evolving needs of our customers.

In tandem with our omni-channel base, we take advantage of the prevalent social media platforms, media advertising, physical and virtual product brochures, sponsor events and operate product stalls at key events to create awareness of insurance in general and offer our products in particular.

Clicklife App

Get fit feature within the Clicklife App support customer health and well being by tracking their calorie intake, calorie burn and physical activities.



Competitions in the form of step challenges are conducted through the get fit feature

SOCIAL AND RELATIONSHIP CAPITAL

During the year we took measures to reach out to our customers through lead activation programs.

- ⊙ The public employed at Orion City and WTC premises were provided insurance advice on retirement calculator and were educated about our available insurance products.



- ⊙ A lead activation program was conducted in form of a health camp at John Keells Holdings and Fortude by the Direct Sales unit. Free eye check-ups, BMI and blood tests were done for the employees of the organizations. Complex blood tests were offered at concessionary rates.



Health camp held at a corporate workplace

- ⊙ Rural door-to-door outreach activities were carried out to create awareness on savings, health, and retirement.



Rural door-to-door customer outreach

- ⊙ A stall was sponsored at Investment Week, University of Kelaniya as the Official Life Insurance Partner for the event. All attendees at the event were educated on our product range along with a promotional campaign on Uniship. The event was attended by over 2,000 persons.



University of Kelaniya Investment week



Uniship campaign at University of Kelaniya Investment Week

Given the high technicality in insurance business, we believe that customers having a good understanding on insurance terms, operations and products is crucial to make informed decisions. Below informative programmes took place during the year with the hope of building trust, reducing misunderstanding and to develop long term customer relationships.

- ⊙ “Good cents” YouTube talk show press campaign to enhance public knowledge on financial literacy and inclusion.



- ⊙ “Life insurance simplified”, a YouTube shorts series to demystify the life insurance concepts to increase market penetration

- ⊙ “Annual BLOG IT” competition to raise awareness on the importance of Financial Protection among Sri Lankans where passionate writers, wordsmiths, and story tellers could submit essays, stories or even poems in a preferred language on the topic “Importance of Life Insurance”.



- ⊙ Improved customer engagement through interactive social media posts and competitions.



Rs. 65,284
Revenue per Customer



Business Partners

Our business partners are an integral part of our value creation process as they provide the support services required to deliver exceptional value to our customers. We ensure that our relationships with our business partners are based on trust and mutual respect and strive to ensure fair and equitable treatment of business partners at all times.

Continuity of Supply

We ensure partner relationships to be sustainable through mutual trust and respect, transparency and fair treatment. Initiatives such as having continuous dialogues with partners to identify mutual synergies, prompt payments and assessing the performance of our partners are implemented to secure long-term commitments.

Fair and Equitable Treatment of Business Partners

UA ensures that all interactions and relationships with our business partners are governed by our internal code of conduct, rigorous policies and procedures related to selection criteria, dispute resolution and internal laws on fair and equitable treatment. Managing and monitoring regulatory compliance shall enable us to conduct fair, unbiased interactions with our devoted partners.

01. Our Agency Force

With its low penetration and high competitiveness, the insurance industry needs an agency force to reckon with when reaching the prospective customers ahead of the competition. Our success is as good as the spiritedness of our Agency Force in spreading the message of our Company to those uninsured prospects and converting them into customers of the Company.

We are privileged to be the preferred life insurer for our agency force, and continuously upgrade, upskill and compensate them for the diligent service they render to us and the exemplary service they offer to our customers.



UA Premier Logo



Mid Year Awards 2023



Agency Value Drivers

New Recruits

1,423
2022 - 1,683

Productivity

2.07
2022 - 2.05

Commission and Incentive Paid

Rs. 2,949 Mn
2022 - Rs. 2,662 Mn

Training Opportunities

- ☉ The MDRT and Premier Club members development training series run by our L&D team produced 174 MDRT's and 113 UA Premier Club members.
- ☉ Personalized coaching opportunities to improve sales performance
- ☉ Introduction of Sales Management and Sales Support staff development path for Agency Force
- ☉ A fully-fledged training tracking mechanism was introduced to create a data driven learning culture.

Performance based career achievements - Agency

	2023	2022
TOT Qualifiers	3	1
COT Qualifiers	13	10
MDRT Qualifiers	158	160
	174	171

SOCIAL AND RELATIONSHIP CAPITAL

02. Bancassurance partners

The Company has established Bancassurance partnerships with 7 leading banks with two partnerships being preferred. The channels generated a 21% of the total revenue for the Company, as it took advantage of the low banking penetration in Sri Lanka. We will continue to grow this channel as we view it as a strategically important arm to reach the uninsured and explore further to establish fresh relationships in 2024 and beyond.

A fully-fledged training programme is in place to drive our banca employees towards their personal achievements.

☉ Circle of Excellence for banca staff

Circle of Excellence is an exclusive reward scheme based on international standards that the Company operates to reward and recognize the Bancassurance Sales Team. This includes rewarding the Insurance Relationship Officers, Regional Managers and Zonal Managers on a quarterly and an annual basis. Our intention is to motivate and retain a highly-skilled, dedicated, and persevering sales force that provides superior customer service, that in turn benefits the Company, the teams and the end user, our customers. Forms of rewards include vehicles, foreign tours, cash endowments and career advancement through exclusive and advanced training opportunities.



Circle of Excellence

Performance based career achievements - Banca

	2023	2022
TOT Qualifiers	2	1
COT Qualifiers	12	9
MDRT Qualifiers	91	74
	105	84

03. Reinsurance partners

The Company's reinsurance partners contribute risk mitigation and managing capital. Strong relationships with our Reinsurance partners enable us to increase our risk appetite and continue to grow in a volatile and aggressively competitive market environment. We have partnered with strong and stable companies in the reinsurance industry and continue to develop these relationships to drive further synergies.

We engage with our re-insurance partners on a regular basis by exchanging accurate and timely information, which has enabled us to maintain a balanced portfolio with diversified risk and higher profitability.



Reinsurance

Reinsurance Premiums

Rs. 1,033 Mn
2022 - Rs. 888 Mn

Reinsurance Commission

Rs. 96 Mn
2022 - Rs. 39 Mn

Reinsurance Recoveries

Rs. 977 Mn
2022 - Rs. 1,110 Mn

04. Vendors and service providers

Our requirements for office equipment and peripheral needs are acquired from suppliers who themselves implement a strict Environmental, Social and Governance (ESG) regime, in sourcing them.

Adhering to the MOFA requirements, we follow a transparent and fair tender procedure and appoint those suppliers who comply with our ESG requirements as well as their capability to deliver quality material on time.



Vendors

Local Vendors

1,769
2022 - 1,816

Foreign Vendors

18
2022 - 22

Paid to Vendors

Rs. 3,842 Mn
2022 - Rs. 2,628 Mn

Supplier and Service Provider Engagement

To strengthen our relationship with this segment, we engage with them on many qualitative fronts.

Transparent Interaction

Improvement of process for order and inventory management and data sharing

Collaborate on improving product or service quality. Provide feedback.

Engage with suppliers from different backgrounds and demographics

Collaborate on cost efficiencies

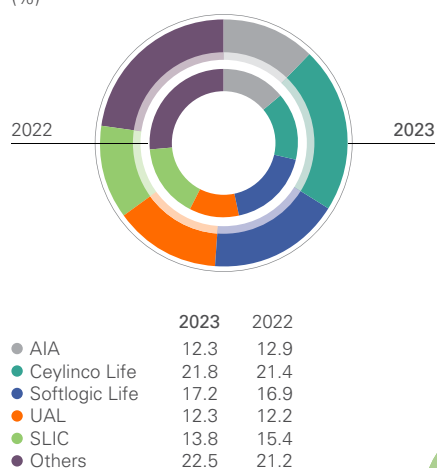
Prompt payment processing to avoid difficulties to suppliers

05. Competitors

The competition in the Sri Lankan Life insurance market is intense given the fact the market is dominated by five main players. The top five players including Union Assurance accounted for 77% of GWP in 2023 contributing to a growth of 12% during the year. The low industry penetration in the market has given the opportunity for these main players to grow within the market which has again contributed towards the competitive landscape along with the high price competition. In order to sustain in the market UA has taken measures to offer differentiated products and innovative marketing for product propositions

Ethical competition: Union Assurance believes vigorous but fair competition obtained through open-minded, impartial and lawful means is a success factor of competitive advantage. We take measures to behave openly and fairly when competing for customers business and when securing contracts with business partners by embracing our competencies such as innovation, efficiency and customer service rather than being influential on external factors.

New Business Market Share (%)



06. Industry

As a leading player in Sri Lanka's insurance industry, we closely engage with numerous industry stakeholders. In addition to closely interacting with the Insurance Regulatory Commission of Sri Lanka and other Government Institutions for regulatory reporting we also actively participate in policy dialogue and other industry initiatives. UA is a regular member of Insurance Association of Sri Lanka and its Sub-Committees and has obtained membership in number of other key associations as well. These engagements with industry have enabled us to actively contribute to the betterment of the industry.

Membership Associations

- The Ceylon Chamber of Commerce
- Insurance Association of Sri Lanka
- Employees Federation of Ceylon
- Life Insurance and Market Research Association
- Colombo Stock Exchange (CSE)
- Insurance Regulatory Commission of Sri Lanka (IRCSL)
- Sri Lanka Insurance Institute (SLII)

We are keenly aware of the social license we have earned through years of service to the community, based on an ethical value system and are diligent, that we retain and nurture it for the future generations of our Company and the community.

Our Social License to operate

An intangible value that is imperative for the longevity and sustainability of the Company, the social license we have earned and cherish is the level of acceptance and approval of how we engage with the community, in the process conducting business. As such, we need not only to be seen as an ethical insurance service provider with high integrity but highlight that ethos in our daily business. Credibility, therefore, as an insurance service provider, forms the safety net that allows us to reach out to the community to offer our product. We safeguard this critically important aspect in many ways.

How we retain our social license

Open lines of communication with the community help us understand their requirements, innovate products, and upgrade our services to suit our customers.

07. Community

Engaging with the community in which we operate is done with great care and due process, working on three critical pillars to be a responsible and accountable corporate citizen.

Financial Protection

Promoting responsible behaviour

CSR activities that uplift and contribute to the community

Practicing environment-friendly operation supports minimizing any negative impacts to the environment and thereby, to the larger community. CSR activities help us to carry this message to the community.

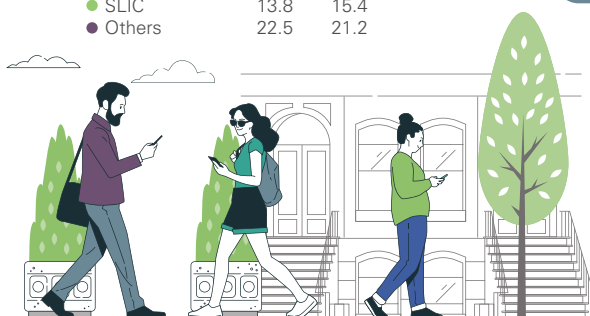
We provide accurate and relevant information to the community and uphold high ethical standards and safeguard human rights in all our business dealings. As a benefit to the customers, we partnered with several banks to offer a 0% interest instalment scheme to pay premiums.



3,000 individuals
CSR Reach



Rs. 10.2 Mn
CSR Spend



SOCIAL AND RELATIONSHIP CAPITAL

Promoting Socially Responsible Behaviour

We continue to set the standards for responsible corporate behaviour through our governance structures, policies and procedures. Progressive policies convey our stance on certain moral aspects while how we conduct our operations are a reflection of our commitment to socially responsible behaviour

Moral and Ethical Values Portrayed by UA

Anti-Corruption Policy

A comprehensive anti-corruption policy holds all employees accountable for ethical behaviour and provides clear guidelines for employees to adhere to the code of ethics and standards in their respective area of work. Employees are required to sign off on the policy and code of conduct periodically ensuring that all employees are well versed and updated on new developments pertaining to ethical behaviour.

Anti-Corruption Policy and procedures are based on the following guidelines;

- ⦿ Each member of UA is responsible individually to set up and maintain a high standard of business conduct in compliance with anti-corruption practices specified by applicable laws and regulations.
- ⦿ Every member has a deep understanding in respect of the content, scope and importance of the policy.

Integrity

UA takes measures to secure the trust of our stakeholders by complying with laws and regulations, establishing a strong governance structure, adopting effective internal policies, implementing internal controls, adhering to a code of conduct and independent audit reviews.

Responsibility

We take responsibility for our actions. Product development follows a stringent process governed by the regulatory guidelines and monitored by our ExCo. Meanwhile, we ensure that marketing of our products are done ethically and responsibly.

Transparency

We ensure transparency in all our dealings. Information on products are readily available to customers while information on Company including our performance is regularly communicated to our stakeholders through our annual report, corporate website and other updates. In instances where claims are repudiated, the Company clearly states the reasons for such action.

Environmental and Social Concern

We ensure that our operations do not pose a social environmental risk and strive to make a meaningful impact on the wider society.

Accountability to Community (Claims and Lawsuits)

Regarding complying with regulations, our compliance officer takes measures in managing and monitoring all regulatory requirements and reports to the Board Audit Committee during routine discussion. The UA Code of Conduct guides our interactions with community and our CSR activities ensuring that all dealings are ethical and transparent. There were no instances of non-compliance with laws and regulations in the social and economic area during the year

Contribution to SDG



Community reach through CSR activities

Reaching out to the community beyond our product offering and ethical conduct of business, we engaged CSR activities in certain areas where we felt a need to do so. In keeping with Sustainable Development Goals (SDGs) our team selects areas of well-being, education and aim to contribute to eradication of poverty, within the framework of operating a profitable business.



Donation to Nuwan Pre School

We supported the Nuwan Preschool in Uda Apperaka, Matara, by donating school essentials, vouchers for additional supplies and provided dry rations to parents with the intention of enhancing the general well-being of their families.



"Hope"

The Company's HOPE initiative targeted several schools in economically depressed areas of the country. Together with the Katu Kambi Foundation, a NGO that is committed to providing clean drinking water, the Company installed water filtering systems at Aluthwewa Maha Vidyalaya in Polonnaruwa. We also successfully renovated and handed over water treatment plants at Lakshauyana Vidyalaya, Hingurakdamana Maha Vidyalaya, Shanthi Maha Vidyalaya, Kirimetiyan Maha Vidyalaya, and Vijayaraja Maha Vidyalaya.

Identifying a need for hygienic approach to menstrual cycles for the girl child, we distributed sanitary napkins for a six month period, contained in gift packs school bags and t-shirts.

With generous contributions of our employees, we were able to donate the much needed and scarce medicines to the Lady Ridgeway Hospital, in a time that our nation was faced with severe economic challenges.



"Empowering the Future"

A knowledge sharing session with 100+ undergraduates from Wayamba University of Sri Lanka took place during the year 2023. Our UA team of experts opened the students minds to new perspectives by generously sharing their experience knowledge relevant to their subject matters and practical usage of it.



Donation of Music Instruments Gairanagama Vidyalaya

Students at Gairanagama Vidyalaya had displayed rare talents in the area of aesthetics winning a variety of accolades and awards at Regional and District level, with the limited resources the school was able to provide for them. Recognizing their remarkable achievements amid hardships and challenges, the Company was able to make a significant donation to purchase the needed instruments and peripherals, to encourage the students and nurture their inherent abilities towards greater heights.

Objectives for 2024 and beyond

	2024 Short Term Target	Medium to Long Term Target
One day Claims settlement ratio	⊙ 92%+	⊙ 92%+
CSR Spend	⊙ 1% of PAT	⊙ 1% of PAT
Premium persistency (LIMRA)	⊙ 60%+	⊙ 62%+
MDRT	⊙ 5+% of Total agency cadre	⊙ 5+% of Total agency cadre
Bancassurance Channel Optimization	⊙ 20%+ contribution to GWP	⊙ Continue to remain as the market leader in bancassurance
Net Promoter Score (NPS)	⊙ Achieve the 4th position in the industry for NPS	⊙ Position among the top 3 in the industry for NPS

INTELLECTUAL CAPITAL

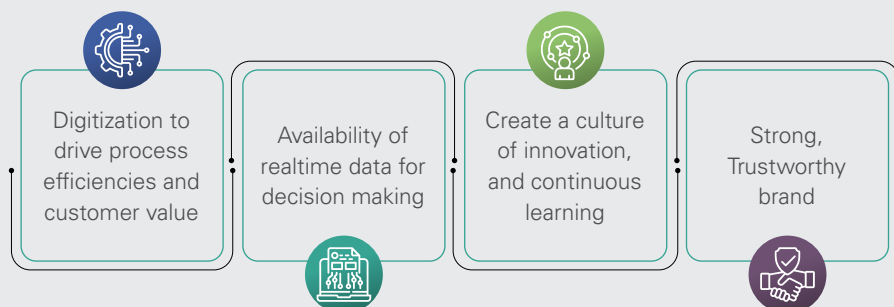


Our Intellectual Capital is what sets us apart from the competition. This consists of our IT Systems and Processes, Innovation, Research and Development Capabilities, HR Processes and how we manage our organizational culture, as well as any other proprietary knowledge and information owned by our Company. "

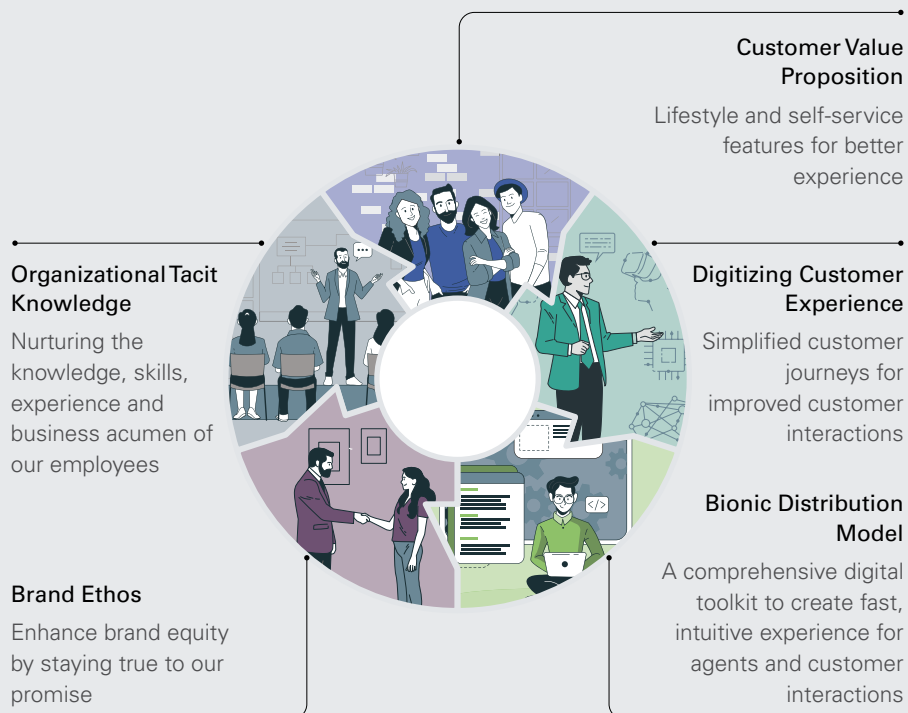
- Harsha Senanayake, Chief Information Officer -



Our Focus



Our Action



Contribution to Corporate Strategy



#1 Digital Insurer

First to market with cutting-edge technology and innovation



Expand Agency Channel

Agency efficiency improvements through Bionic distribution strategy



Optimise Bancassurance Partnerships

Creating a differentiated position with the latest technology



Cost Optimization

Elimination of manual processes and duplication of work



Customer Centric, Profitable, Balanced Product Portfolio

Capitalizing research and development capabilities to provide an optimum product portfolio



People Development

Creating a culture of innovation and continuous learning

Our Value Drivers

Investment in IT System and Infrastructure

Rs. 556 Mn

R & D expenditure as a % of turnover

0.56%

Our Milestones



Brand Value

Rs. 1,373 Mn

Top 100 most valuable
consumer brands in
Sri Lanka



Digital Users

22,000+

1.7x growth from 2022



Investments in IT Developments

Rs. 99.4 Mn

Leads to the improvement
of current capabilities
and increased process
efficiency



Digitization and Simplification Savings

Rs. 7 Mn

From simplification of
system integrations in
2023



Availability of Real- time Data

99.95%

Average data centre
availability

A Strong Brand

Delivering on its brand promise to its stakeholders, the Company's strategy is forward-thinking, innovative, digitally savvy with a sales force who are customer centric, permeating its Brand Ethos.

Our Brand Ethos

Your Life, Our Strength



Protecting Relationships

By insuring the lives
and futures of our
customers and their
loved ones against
losses



Protecting Lifestyles

By ensuring our
customers can
enjoy life to its
fullest despite the
unexpected



Protecting Ambitions

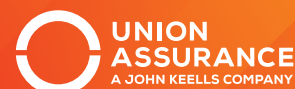
By supporting the
dreams and goals of
everyone who aspires
to be the best version
of themselves

Automated Monitoring

110+

Power BI dashboards

Improvements in dashboard and FAME
reports for monitoring and reporting



Union Assurance Logo

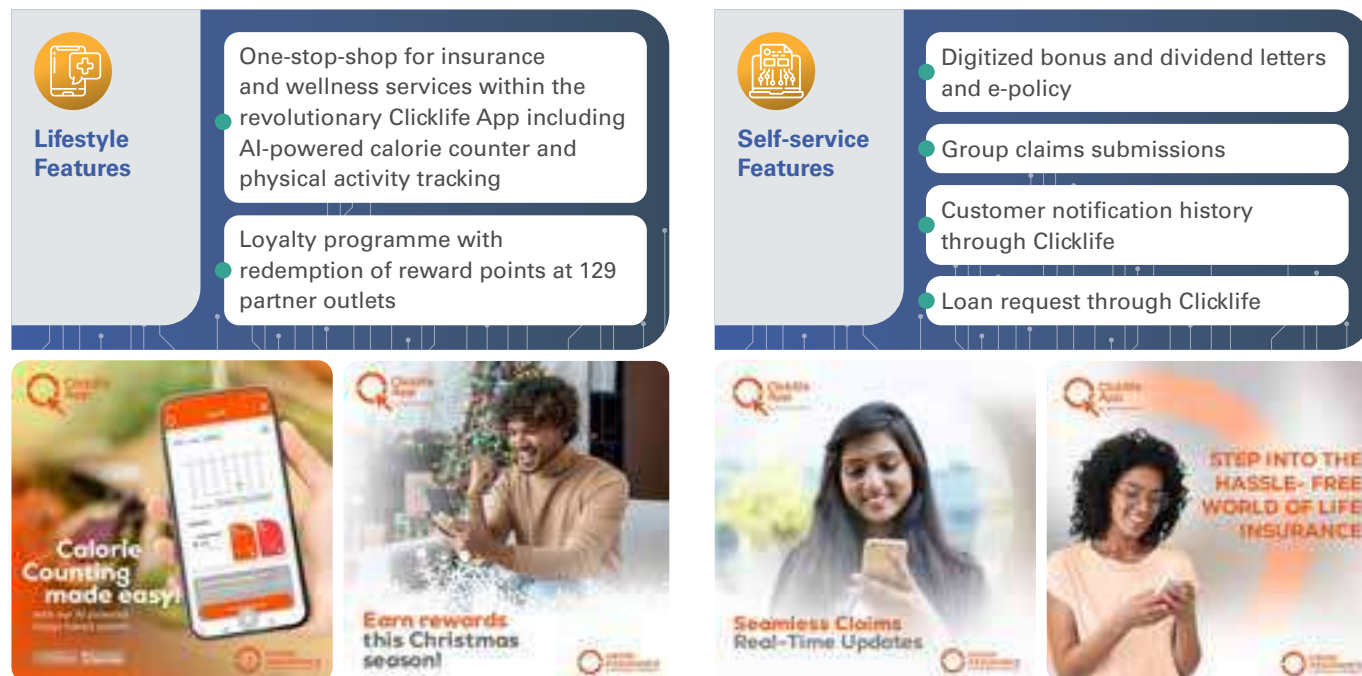


Our Digital Value Proposition

Enhancing Customer Value Proposition

Our focus on catering to the needs of Millennial and Gen Z has driven us to develop a one-stop-shop for Life Insurance that supports the well-being of customers within the Clicklife platform. Understanding the importance of health consciousness and overall well-being for these generations, we have integrated wellness and rewards to encourage healthy behaviour into our ecosystem. By promoting a healthy lifestyle through our App, we aim to offer our customers not just Life Insurance coverage but also a path to more fulfilling lives.

INTELLECTUAL CAPITAL



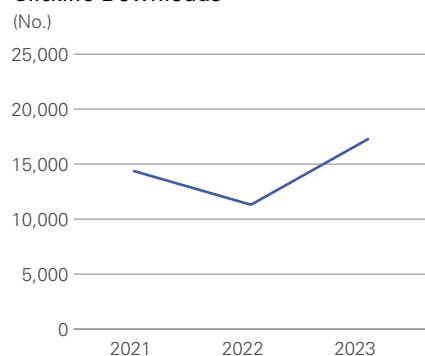
- A new exciting rewards program and freemium product development have been completed and are scheduled to be launched next year.

Our Focus

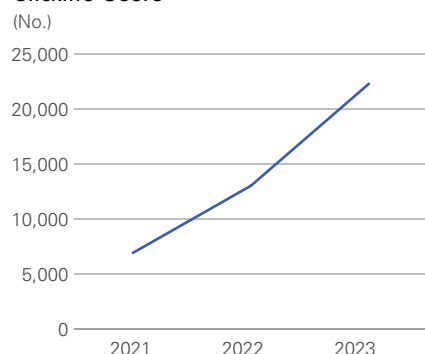


Our focus is on catering to the lifestyle of all consumer segments including Millennial and Gen Z, for simplified journeys to ensure continuous engagement and speedy turn-around times.

Clicklife Downloads



Clicklife Users



Digitizing Customer Experience

We are leading the way in the Sri Lankan Life Insurance industry with the introduction of Electronic Medical Examination Report (e-Mer) and Digital Medical Records, a cutting-edge initiative that promises to streamline the insurance policy issuance like never before. It was introduced with a top healthcare provider resulting in higher Straight Through Processing (STP) in medical underwriting improved quality in underwriting decisions and faster policy issuance.

e-MER

- Leader in Electronic Medical Examination Reports process automation
- Digital medical records automation

Digital Proposal Submission

- Submission of digital proposals, efficiently speeding up the evaluation process for customers

STP

- Straight Through Processing (STP) in medical underwriting improved quality in underwriting decisions and faster policy issuance

Call Centre

- Automated outbound call centre process, resulting significant productivity improvement of our Call Centre and customer satisfaction

Improvements to Digital Journeys in 2023

Product Development	Digitization of Customer Process	Digitization of Clicklife self-service and FAME
Financial support through Freemium App for customers who require cancer treatment	- Lab Report integration with Durdans Hospital with smart underwriting engine - Digital Bonus and Dividend Letter via Clicklife - Clicklife upgraded to include Group Life Claim submissions - Claim rework and Hospital Cover Automation to streamline and speed up hospital cash benefit scheme	- Loyalty programme with redemption of reward points at 129 partner outlets for healthy lifestyle choices - Agent assisted customer services

Our Focus

We continue to automate and digitize our key processes to deliver superlative customer experience at all servicing touch points.



A Digital Standard Operating Procedure (SOP) designed for enhancing daily tasks of advisors and simplifying supervision for team leaders

Agent activity lead management system automation allows agents to track their leads on monthly basis effectively

Bionic Distribution Model

The key digital enable in the bionic distribution is digital advisor portal FAME which equips our advisors with a comprehensive digital toolkit, transforming them into highly efficient professionals.

FAME 4.0 introduces a standardized operating procedure for Banca IROs and Advisors. The integrated dashboard in the FAME ecosystem consolidates all necessary tools, making it a world-class solution that revolutionizes daily life of advisors.

FAME MI Enhancements	LMS functionality integrated to FAME	Advisor self-service on FAME
Improvements in 110+ power BI dashboard and FAME reports to monitor business KPI	- USD 55,000 saving per annum by replacing a legacy Lead Management System (LMS) - Innovative integration of customer prospecting to our Point of Sale (POS) Rs. 7 Mn Saving in 2023 Rs. 89 Mn Savings over the next 5 years	- Digitization of Sales Force Administration (SFA) manual processes - Automation of advisor onboarding process through integration with Sri Lanka Insurance Institute for examinations - E-advisor visiting cards to be distributed through the system - Automation and streamlining of advisor personal detail alteration

Our Focus

FAME was upgraded to facilitate digitally streamlined activity management and lead-to-cash customer journey, providing valuable insights for assessing agent performance and projecting business outcomes.



Agent Portal on FAME

INTELLECTUAL CAPITAL



Agent Performance Dashboard

Organizational Tacit Knowledge

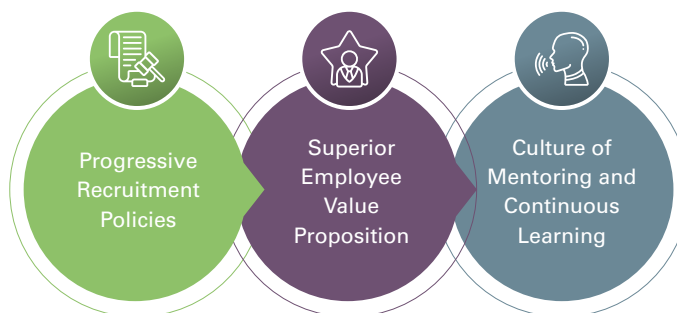
The wealth of knowledge, skills, experience, business acumen and research and development capabilities of our employee base is our cumulative tacit knowledge. We build this critical aspect with great care by creating a culture of mentoring, educating, upskilling, and caring while recruiting talent that blends with the organizational culture. Our employee value proposition and our HR processes ensure this asset, the employees, are retained with the organization, containing the acquired knowledge within the Company.



Rs. 2.5 Bn

Revenue from Bancassurance Agreements

The way we nurture our Tacit Knowledge



Research and Development

UA promotes a culture of constant innovation that includes R&D to produce new knowledge that is utilized to develop new technologies as well as constant new product development. UA has been able to stay ahead of the competition because of an emphasis on Research and Development and constant new product creation. Developing marketing strategies, generating excellent products, and understanding customer demands and market requirements are important aspects of UA.

Data Analytics and AI Capabilities

Data analytics is a significant aspect in analysing and understanding customer needs and projecting future trends. With its comprehensive data analytics platform with advanced analytic capabilities in multiple use cases, data engineering with over five hundred data pipelines, and data visualization, the Company augmented its analytics muscle strength by implementing further initiatives:



Data Analytics Capabilities

Introduced systems platforms:

- ⦿ To monitor 13th month persistency
- ⦿ To cross-sell to increase per customer policy ownership.
- ⦿ To monitor value of new business, linking key drivers



Prevent Financial Crime Risk

- ⦿ An integrated system for alert generation to capture suspicious transactions

IT Governance

Customer data confidentiality and safeguard is a regulatory requirement, nesting under the larger Corporate Governance umbrella. This underpins the sustainability of the business and the integrity of the Company, as a life insurance provider, privy to extremely sensitive customer information in its portfolio. The Company approached this responsible task in a six-pronged manner.



Alignment with Business

Continuous reviews ensure that IT objectives are aligned with business objectives, by defining them in business terms. IT policies were updated to align with the CIS Critical Security Controls, ISO 27001 Information security management system controls, and zero trust framework to safeguard the information assets.



IT Risk Management

IT risks, based on the severity of impact and probability of occurrence, are carefully evaluated and mitigated. Risk management processes are designed to identify, analyse, evaluate, and implement controls to effectively manage or mitigate them. This includes devising techniques for minimizing risk exposure and embedding risk management responsibilities into the organization.



Resource and Performance Measurement

Close supervision is exercised in monitoring strategic implementations, project completion, resource utilization, tracking with results of disaster recovery/Business Continuity Plan tests and service delivery. It includes people, processes, and technologies for enhancing the efficiency and effectiveness of business solutions. Tracking mechanisms are in place for security-related events and the use of security dashboards.



Value Delivery

Effective IT Governance also includes investing in the availability of robust controls in support of achieving corporate objectives, together with well-defined policies and Key Result Areas (KRAs), for the management of critical resources and people.



Integration

Involvement of all corporate stakeholders in the decision-making process is ensured by seamless integration with assurance activities. This is done by enabling the processes to operate as intended from end-to-end, while early identifying and mitigating any risks.



Compliance

Regulatory and compliance requirements are embedded in IT policies and managed through the implementation of appropriate IT controls in systems. Periodic reviews are conducted to evaluate effectiveness.

INTELLECTUAL CAPITAL

Cyber Security

Technology has revolutionized the way we do business, and the Company relies heavily on its IT platforms and digitalization to be a front-runner in the insurance industry in Sri Lanka. Similarly, the Company is fully committed to ensuring cyber-security, in an environment of pervasive and ever-expanding threat of hacking and/or breach of its well-placed controls.

The Company’s Cyber Security Policy, which is in line with the requirements of the John Keells Group, has effectively managed the Security Operations Centre (SOC), a security intelligence platform, to further strengthen Cyber Resilience. Zero Trust platform ensured cyber security around remote work platforms, encompassing Secure Web Gateway, Advanced Threat Protection, Data Leak Prevention and Zero Trust Network to protect corporate data from unauthorized access.

The Company is currently in the process of implementing a Centre for Internet Security (CIS) framework to calibrate IT services and products, thereby ensuring the highest standards of Cyber Security, which is a high priority with the Company’s Board and is regularly addressed during Board Audit and Compliance Committee.

ISO Certification

UA is amongst the few Banking, Financial Services, and Insurance Companies in Sri Lanka with the ISO 27001:2013 certification. This ensures the security of information assets such as business information, customer data, financial information, intellectual property, employee details and information entrusted to the Company by third parties.

During the year, ISO 27001:2013 recertification audit successfully completed, and CIS controls have been implemented up to implementation group level 2(IG2). The Company is currently in the process of upgrading ISO 27001:2022 and adopting ISO 27701 privacy management system.



Rs. 7.03 Mn

Expenditure on standards and certifications on process and internal control

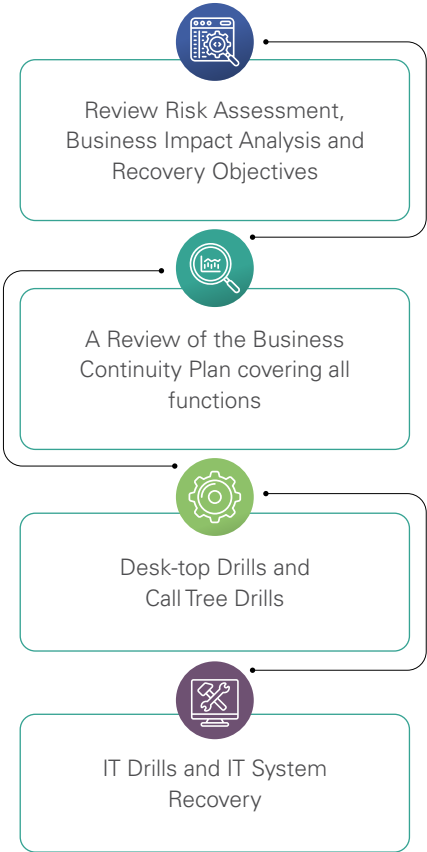
Rs. 68.53 Mn

Total expenditure on cyber security on internal controls related to IT

Business Continuity Plan (BCP)

In compliance with the Disaster Recovery Institute International’s Professional Practice, ISO 22301:2019, the international standard and the Business Continuity Guidelines of the Insurance Regulatory Commission of Sri Lanka, the Company’s BCP ensures speedy recovery from any exigency, that it might encounter when engaging in its normal business.

To evaluate its robustness and effectiveness, and in keeping with the requirements, the following series of interventions were conducted during 2023.



Divisions engaged in conducting desk-top drills assessing their capacity to support time-critical processes for a prolonged outage of Line of Business Applications, while simulated drills targeted the Line of Business Applications covering IT recovery as applied to business operations. Drills covered crisis communication, which is crucial to be strictly adhered to in a crisis, to avert further disaster in an exigent situation.

Evaluated in two cycles, the first assured the in-depth revisit of business continuity management system, while the second verified the adaptability of the system to the changing external factors.

BCP documentation was reviewed as part of the interventions.

Awards



Best Brand of the Year

Pinnacles Sri Lanka 2022

Union Assurance was named 'Best Brand of the Year' at the Pinnacles Sri Lanka 2022, becoming the event's only recognised insurer.



Company with Great Managers 2022

Colombo Leadership Academy

The Company was awarded the prestigious recognition of "Company with Great Managers 2022" as an organization benchmarked with best practices.

Awarded for the second consecutive year, we are glad to report this underpins our people-centric HR practices.



CMA Integrated Annual Reports

CMA Excellence Awards 2022

This award recognized Union Assurance's integrated report as complied to the Guiding Principles, Content Elements and Fundamental Concepts which appear in the International <IR> Framework issued by the International Integrated Reporting Council (IIRC).

Top 100 Most Valuable Brands in Sri Lanka – an award won for the 15th consecutive year

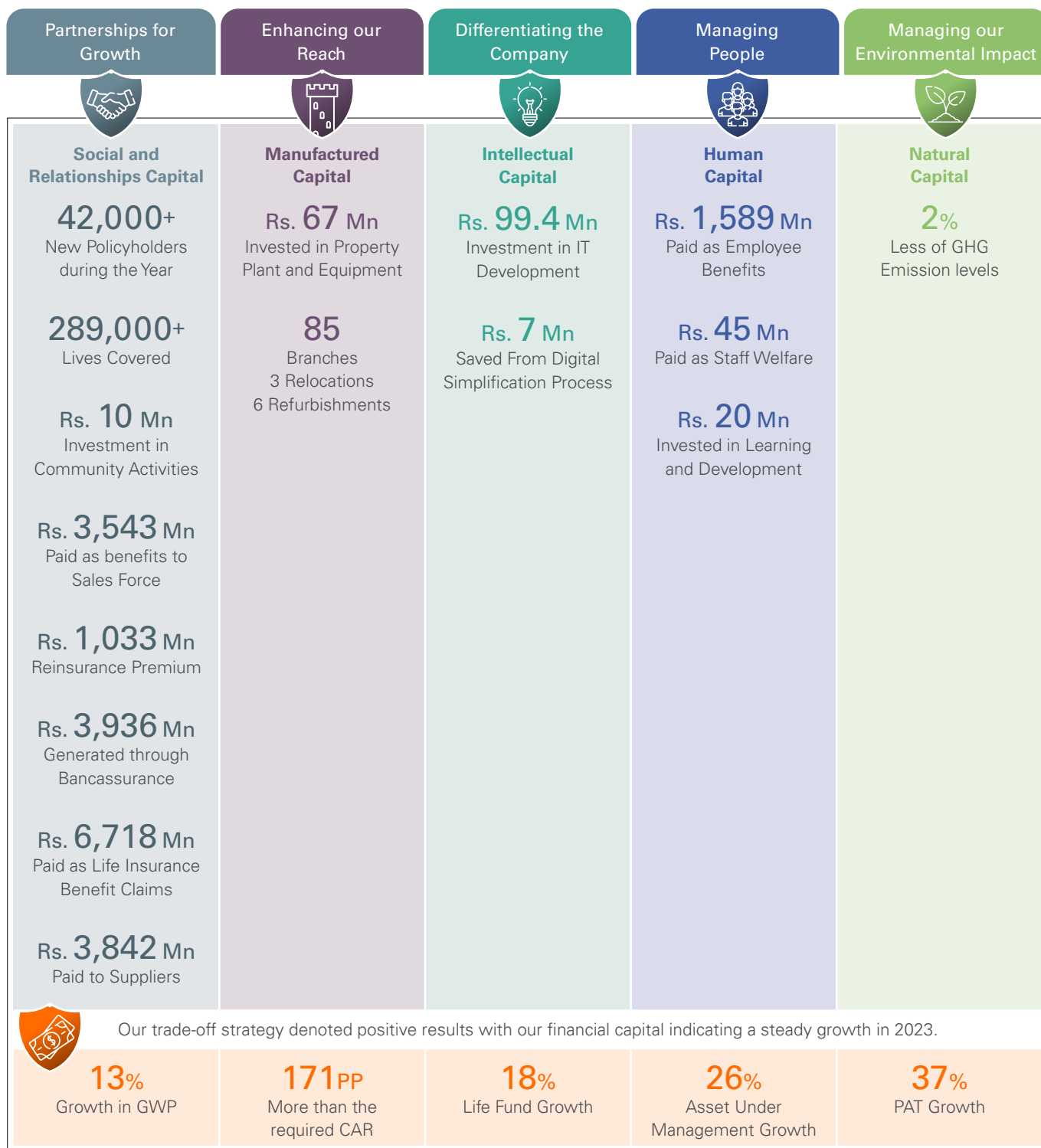
LMD Awards in partnership with Brand Finance, a global brand valuation and strategy consultancy.

Objectives for 2024 and beyond

	2024 Short term Target	Medium to Long Term Target
New features in Clicklife App	Assess and update the App to be in-line with market requirements	Assess and update the App to be in line with market requirements
Development on Data Analytics and Capabilities	Self service Business Intelligence and advanced analytics use cases	Leverage data lake and advanced analytics for product development and dynamic pricing, and implement AI-based underwriting and claims adjudication
Technology enabled bionic distribution capabilities	Enhance digital agent life cycle management capabilities, digital financial needs analysis, and product recommendation tools to enhance the quality of advice.	Predictive activity management and deeper digital integrations with bancassurance and distribution partners

STRATEGIC TRADE-OFF AND IMPACT ON CAPITALS

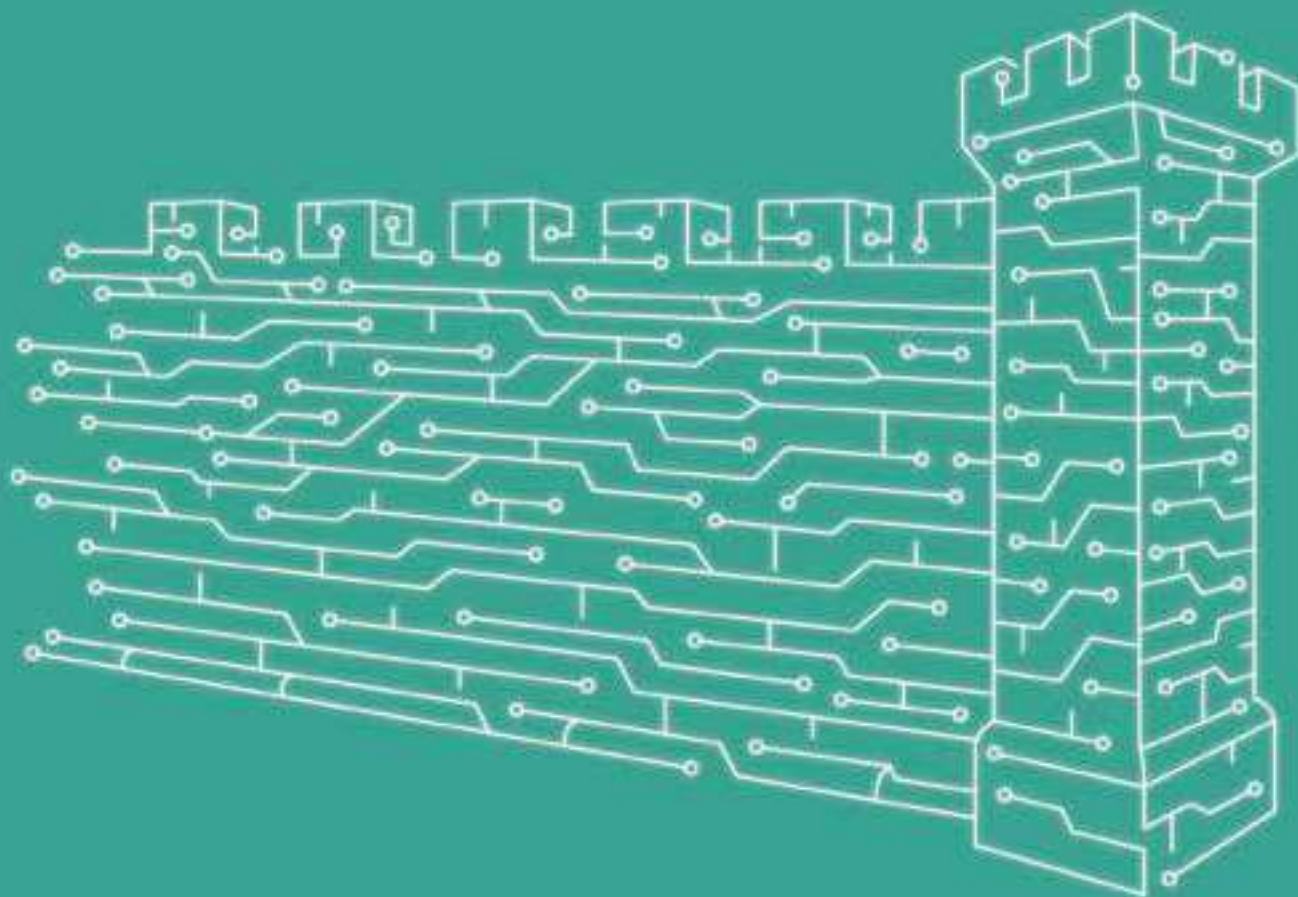
Operating an agile organization such as Union Assurance, is incumbent upon the strategic decisions we make by carefully considering the trade-offs that need to be made between the capitals. This is an imperative that cannot be minimized as the allocation of our resources is dependent on the trade-off we make. We are aware that such trade-offs will significantly impact the growth trajectory of our Company and address this process with due consideration and diligence, so that our choices contribute towards the overall well-being of our stakeholders and the sustainability of our Company.



THE BATTLEMENT

Like the magnificent Battlement stands tall and protective around the perimeter of our Company, Union Assurance PLC's Corporate Governance is the linchpin, guaranteeing ethical, disciplined and effective operations across the board, as architects of Company's future.

The following pages contain the proof of our dedication towards maintaining harmony and strength.



STEWARDSHIP

CORPORATE GOVERNANCE

BOARD OF DIRECTORS



Krishnan Balendra Chairperson/Non-Executive Director

(Member of the Board since 01 January 2019)

Board Sub-Committees: Member of the Nominations Committee and the Project Risk Assessment Committee of John Keells Holdings PLC.

Skills and Experience: He started his career at UBS Warburg, Hong Kong, in investment banking, focusing primarily on equity capital markets. Krishnan is a former Chairperson of Nations Trust Bank PLC and the Colombo Stock Exchange.

He holds a degree in Law (LLB) from the University of London and an MBA from INSEAD.

Other Current Appointments:

Listed Companies:

Listed Entity	Position held
John Keells Holdings PLC	Chairperson - CEO
Ceylon Cold Stores PLC	Chairperson
Keells Food Products PLC	Chairperson
John Keells Hotels PLC	Chairperson
Asian Hotels and Properties PLC	Chairperson
Trans Asia Hotels PLC	Chairperson
John Keells PLC	Chairperson
Tea Smallholder Factories PLC	Chairperson

Others: He is the Chairperson of the Employers' Federation of Ceylon, Deputy Vice Chairperson of the Ceylon Chamber of Commerce, and also the Hon. Consul General of the Republic of Poland in Sri Lanka. Krishnan is the Chairperson of many unlisted companies in the John Keells Group.



Suresh Rajendra Non-Executive Director

(Member of the Board since 16 August 2011)

Board Sub-Committees: Member of the Board Audit and Compliance Committee and SLFRS 17 Steering Committee.

Skills and Experience: Suresh has over 30 years of experience in the fields of Finance, Property Development and Real Estate Management, Travel & Tourism, and Business Development acquired both in Sri Lanka and overseas. Prior to joining the JKH Group, he was the Head of Commercial and Business Development for NRMA Motoring and Services in Sydney, Australia and Director/ General Manager of Aitken Spence Hotel Managements (Pvt) Ltd, Sri Lanka.

He is a Fellow Member of the Chartered Institute of Management Accountants, U.K.

Other Current Appointments:

Listed Companies:

Listed Entity	Position held
John Keells Hotels PLC	Non-Executive Director
Asian Hotels and Properties PLC	Non-Executive Director
Trans Asia Hotels PLC	Non-Executive Director

Others: Suresh is a member of the Group Executive Committee and President of the Leisure Group of the John Keells Group. He is also responsible for both John Keells Information Technology (Pvt) Limited and John Keells Stockbrokers and serves as a Director in many unlisted companies of the John Keells Group. Further, he is a member of the Tourism Advisory Committee appointed by the Ministry of Tourism.



Dumith Fernando Independent Non-Executive Director

(Member of the Board since 03 August 2018)

Board Sub-Committees: Member of the Board Audit and Compliance Committee

Skills and Experience: Dumith has over 26 years of experience in international and Sri Lankan capital markets, having spent much of his career in the global financial centres of New York and Hong Kong, with global banking firms JPMorgan Chase and Credit Suisse. There he held various roles across Equities, Investment Banking, Private Equity and Corporate Strategy. Prior to his return to Sri Lanka in 2013, Dumith was the Managing Director and Group Chief Operating Officer for Credit Suisse Asia Pacific - a US\$2.5 billion revenue business across 12 countries - and a member of that firm's Global Leadership Council. Dumith served as the Chairman of the Colombo Stock Exchange (CSE) from 2020-2022.

Dumith holds a BA in Physics & Economics from Middlebury College in the U.S. and an MBA from Harvard Business School.

Other Current Appointments:

Listed Companies:

Listed Entity	Position held
Singer (Sri Lanka) PLC	Independent Non-Executive Director

Others: Dumith is the Chairperson of Asia Securities Holdings (Pvt) Ltd, a leading independent Investment Bank in Sri Lanka, which offers Investment Banking, Wealth Management, Stock Brokerage and Research services to international and domestic institutions, corporates and high net worth individuals. He is a member of the Economic Policy Steering Committee of the Ceylon Chamber of Commerce.



Stephen Anthony Appleyard Independent Non-Executive Director

(Member of the Board since 01 January 2019)

Board Sub-Committees: The Chairperson of the SLFRS 17 Steering Committee.

Skills and Experience: Stephen has over 26 years of experience in the Life Insurance industry across Europe, US and Asia. He has held the Country Manager/CEO role at AIA (Indonesia), Allianz (Ayudhya Allianz C.P. Thailand), SCB Life (Thailand), as well as holding the office of Regional CEO partnerships at AIA (Hong Kong) and Head of Distribution for AXA Asia (Life and Non-Life Insurance). Stephen is currently CEO and Founder of Insurance Consulting Asia. He has deep experience in Strategy, Distribution, Marketing, Finance and Operational Transformation.

Stephen holds a Bachelor of Science from Sheffield Hallam University and an MBA from the University of Manchester

Other Current Appointments:

Listed Companies: None

Others: Stephen is the founder and the CEO of Insurance Consulting Asia Ltd.



Daminda Gamlath Non-Executive Director

(Member of the Board since 10 June 2020)

Board Sub-Committees: None

Skills and Experience: Daminda currently serves as the President of the Consumer Foods Industry Group of John Keells. He was also attached to John Keells Computer Services (Pvt) Ltd and the IT Industry Group at John Keells. Prior to joining the John Keells Group, Daminda was with Hayleys Electronics Ltd and Hayleys Industrial Solutions (Pvt) Ltd.

Daminda holds a BSc. in Engineering from the University of Moratuwa and an MBA from the University of Colombo. He is a passed finalist of CIMA U.K. His areas of specialisations are Financial Accounting, Management Accounting, Business Analysis, Sales, Marketing and General Management.

Other Current Appointments:

Listed Companies:

Listed Entity	Position held
Ceylon Cold Stores PLC	Executive Director
Keells Food Products PLC	Non-Executive Director

Others: Daminda serves as a Director in many unlisted companies of the John Keells Group.



Pasan Wanigasekara Independent Non-Executive Director

(Member of the Board since 01 April 2023)

Board Sub-Committees: Chairperson of the Board Audit and Compliance Committee.

Skills and Experience: Pasan is a multi-disciplined corporate leader with broad international exposure in Asia Pacific, Europe, and North America, across a wide range of topics including corporate strategy, M&A, strategic marketing & business development, operation optimization, digitization, and legal.

He was the Director General of the Board of Investment of Sri Lanka (Invest Sri Lanka) until January 2022, and since then holds Board positions in several blue-chip corporates operating in Finance, Leisure, Automobiles, Agriculture, R&D, Sustainable Energy, Manufacturing sectors.

Earlier on in his corporate career, he was Director, Asia Pacific Business at a Moody's Corporation subsidiary. Since his stint at Moody's, he was engaged as a Consultant to several Fortune 500 companies and Asia based PE Funds on investment analysis, M&A, and operations optimization, while practicing as an Attorney-at-Law.

He is a qualified Chartered Management Accountant, a Chartered Financial Accountant, a Chartered Marketer, as well as an Attorney-at-Law.

Other Current Appointments:

Listed Companies: None

Others: Pasan serves as a Director of Vega Innovations (Pvt) Ltd, ChargeNet (Pvt) Ltd, ChargeNet International (Pvt) Ltd and Aigrow (Pvt) Ltd.

CORPORATE GOVERNANCE

EXECUTIVE COMMITTEE



Senath Jayatilake
Chief Executive Officer

Senath joined Union Assurance in November 2019 as Chief Distribution Officer and was subsequently promoted to Deputy Chief Executive Officer on 01 January 2023 and Chief Executive Officer on 01 January 2024.

Prior to joining Union Assurance, he served as the Chief Executive Officer, John Keells Logistics (Pvt) Limited. He is also a Senior Vice President of the John Keells Group and accounts for over 16 years of experience in Strategic Management, Operations Management, Sales and Marketing and Financial Management.

Senath holds a BA (Hon) in Finance, Accounting and Management from the University of Nottingham (UK), and an MBA from the Postgraduate Institute of Management (University of Sri Jayewardenepura). He is an Associate Member (ACCA) and a Chartered Global Management Accountant (CGMA) of the Chartered Institute of Management Accountants (UK).



Harsha Senanayake
Chief Information Officer

Harsha joined Union Assurance in October 2016.

He has been with the John Keells Group for more than 21 years, where he has gained experience in IT and Management. During Harsha's tenure at John Keells, he was instrumental in the implementation of SAP and also promoting it as an ERP solution to many leading organizations in Sri Lanka. Harsha also plays a pivotal role in the Group's digitization initiatives and in driving technology innovation to all areas of business. In addition to his current role at Union Assurance, he oversees the IT functions of John Keells Stockbrokers and serves as the Head of Business Systems, Financial Services Sector of the Group.

Harsha holds a BSc. in Computer Science from the London Metropolitan University and a Postgraduate Diploma in Information Systems Management from the University of Colombo.



Asha Perera
Chief Financial Officer

Asha joined Union Assurance in September 2018 from the John Keells Group where she held multi sectoral experience in Retail, Leisure, Information Technology and Plantation services. Prior to joining the John Keells Group in 2005, she held multiple operational and finance responsibilities in the Apparel industry. Asha also serves as a Senior Vice President of John Keells Holdings PLC, and accounts for 18 years and 27 years of professional experience within the Group and Overall, respectively.

Asha holds a Master of Business Administration (MBA) from the Postgraduate Institute of Management (PIM), a BSc. in Management (Human Resource Management) from the University of Sri Jayewardenepura - Sri Lanka and is an Associate Member of the Chartered Institute of Management Accountants, U.K.



Rumesh Modarage Chief Operating Officer

Rumesh joined Union Assurance in December 2019 as Chief Technical Officer and was subsequently promoted to Chief Operating Officer on 01 January 2024.

Prior to joining Union Assurance, he served as Senior Manager at Softlogic Life Insurance PLC, and counts over 13 years of experience in the fields of Insurance, Finance, Reinsurance, Product Development, Life Operations, Customer Service and Alternate Sales & marketing.

Rumesh holds a Master's in Business Administration (MBA) from the Postgraduate Institute of Management (PIM) – the University of Sri Jayewardenepura, an Associate Member of the Chartered Institute of Management Accountants U.K. – CIMA, a Fellow Member of the Chartered Insurance Institute U.K. (FCII), and is a Chartered Insurer.



Imtiyaz Aniff Chief People Officer

Imtiyaz joined Union Assurance in September 2021.

Prior to joining Union Assurance, he was with Dialog Axiata PLC as the Head of Digital Organization and Culture Transformation. Imtiyaz is a Senior HR specialist with 19 years' experience in the Banking, IT, FMCG and Telecommunications sectors across both Multinational Companies and leading local conglomerates. He has provided leadership for many projects globally and was presented with the HR Leadership Award, by the World HRD Congress in 2020.

Imtiyaz holds an MBA (Merit) from the University of Wales, a Chartered Qualification in Human Resources Management from Chartered Institute of Personnel Management, Sri Lanka a Senior Certified Professional IPMAHR (USA), a Certified Coach – Results Coaching Systems, a Certified Assessor – SHL and a Member of the Australian Human Resources Institute.



Mahen Gunarathna Chief Marketing Officer

Mahen joined Union Assurance in November 2021.

He is a marketing professional with over 18 years of experience in local and international markets, and has worked with multinational companies such as Hilton, AVIVA and AIA.

Mahen holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura. He is also a Chartered Marketer of CIM-UK and SLIM and a Certified Professional Marketer of the Asia Marketing Federation. Mahen is also a lecturer and examiner at CIPM and IIHS.

CORPORATE GOVERNANCE

EXECUTIVE COMMITTEE



Shubham Jain
Chief Actuarial Officer

Shubham was appointed as the Chief Actuarial Officer of Union Assurance in May 2022.

His extensive experience includes providing actuarial services to various life insurance companies across multiple geographies including Sri Lanka, India, UK, Germany, Indonesia, Japan and other south-east Asian markets. His knowledge spans across various aspects including actuarial valuations, financial risk management, product development and pricing, embedded value, mergers and acquisitions, IFRS 17, strategic asset allocation and development of governance framework for participating businesses.

Shubham is a fellow of Institute and Faculty of Actuaries (IFoA) and the Institute of Actuaries of India (IAI). He is also a Certified Enterprise Risk Actuary (CERA) and a member of the CERA global association. Shubham holds an honours degree in Science (Statistics) from the University of Delhi.



Wathsala Aluthgedara
Chief Partnership Distribution Officer

Wathsala was appointed as the Chief Partnership Distribution Officer of Union Assurance in August 2023.

She is an experienced business leader with over 19 years of experience and has multi-dimensional exposure in Brand Building, Corporate Planning and Fund Management. Prior to joining Union Assurance, Wathsala served as the Chief Executive Officer of ReeBonn Lanka (Pvt) Limited and prior to that she was employed at Unilever Sri Lanka Limited where she successfully managed a diverse portfolio of brands and categories across personal care, food and home care.

Wathsala holds an MBA from the University of Wales, UK and a Bachelor of Science (Hons) in Computer Science and Information Systems from the London Metropolitan University. She is also a Fellow of the Chartered Institute of Marketing (UK) and a lecturer at the Post Graduate Institute of English at the Open University of Sri Lanka.



Mansoor Rishad
Chief Agency Officer

Rishad was appointed as the Chief Agency Officer of Union Assurance in September 2023.

Rishad, amassing a corporate tenure of over 25 years marked by significant contributions to the Information Technology and Telecommunications industries. His expertise spans business strategy, marketing, media buying, sales, international business, enterprise business, corporate communications, market research, business development, and customer service.

Rishad holds an MBA from the University of West London (UK).

THE CHAIRPERSON'S STATEMENT ON CORPORATE GOVERNANCE



We strongly believe that a comprehensive corporate governance framework is important as it creates a system of rules and practices that determine how the organisation operates and how it aligns with the interest of all its stakeholders."

"This Report demonstrates the framework and our approach towards Corporate Governance, to ensure the highest standards of governance and compliance within the Company"

Governance Attitude

The highest standards of transparency, reliability and ethical business conduct are well established guiding principles within the Company, which are articulated in a comprehensive policy framework and via a Code of Conduct, that is communicated and understood by all employees. Further, the Company's policy framework embraces international best practices and complies with voluntary frameworks, providing a solid foundation for performance as well as effective risk management. The governance structure serves to ensure judicious empowerment, and to create an appropriate balance of authority and responsibility within the Company.

Governance Structure and Leadership

The Company operates within a clearly defined governance structure, enabling the Board to provide strategic guidance and risk oversight whilst adhering to regulatory requirements. The structure also provides for delegation of authority while retaining effective control. The Board delegates authority to the relevant Board sub-committees and the Executive Committee of the Company, with clearly defined mandates and authority levels whilst maintaining its accountability. The Board maintains an independent and diverse composition, to provide guidance on strategic direction and for efficient decision making. A self-evaluation of the Board's performance is conducted annually.

Culture and Ethics

Our culture is shaped by the Code of Conduct and Ethics, which articulates the standards of conduct expected of Directors and employees. The Code is

reviewed and updated from time to time, to ensure it is fit for purpose in a rapidly evolving business environment.

Accountability and Risk

Setting up a robust system of internal controls and risk management processes is a key responsibility of the Board, and we are assisted in this endeavour by the Board Audit and Compliance Committee (BACC). The BACC plays an important role in monitoring the Company's risk and assurance systems, and regularly reviewing the efficiency and effectiveness of internal controls. Please refer to the report of the BACC on pages 144 to 147.

Engagement with Stakeholders

Our stakeholder engagement mechanisms are structured and comprehensive, providing valuable insights into stakeholder concerns and enabling us to provide appropriate responses, while balancing multiple interests.

Governance during Present Economic Conditions

Faced with new challenges as a result of the economic crisis, the Board of Directors while ensuring that good governance discipline was maintained, remained committed to delivering our values with remarkable resilience, combined with vital support from the Company Management. Further details are provided on page 133.

Way Forward

We will continue to monitor the macroeconomic developments and remain proactive to drive growth and improve returns, while continuing to invest in our people. Furthermore, the Board through the SLFRS 17 Steering Committee, will

ensure institutional readiness for SLFRS 17 implementation, both technically and strategically. The current progression and expected future plans of the governance framework for SLFRS 17 are provided on page 129. The Company has taken necessary steps to comply with the Personal Data Protection Act, details of which are stated on page 131.

Succession

As per the planned organisational leadership transition, Mr. Senath Jayatilake, previously the Deputy Chief Executive Officer, assumed duties as the Chief Executive Officer on 1 January 2024 upon completion of Mr. Jude Gomes's tenure as Chief Executive Officer, on the 31st of December 2023.

Statement of Declaration

I am pleased to state that there were no departures from any of the provisions of the Code of Business Conduct and Ethics in the Code of Best Practice on Corporate Governance, jointly advocated by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. I also wish to affirm our commitment to upholding Group policies, where emphasis is placed on ethical and legal dealings, zero tolerance for corruption, bribery and any form of harassment or discrimination in our workplace and work-related situations.

Krishan Balendra
Chairperson

29 February 2024

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE COMMENTARY

Key Highlights for the Year 2023

SLFRS 17

The Company made significant progress in terms of the milestones completed under the SLFRS 17 implementation project, ensuring adaptation of the new standard ahead of its effective date.

 Refer page 129

Revision of Product Governance Framework

The Company revised the Product Governance Framework to provide a comprehensive guide that ensures the product strategy development is aligned strongly with the overall business plan, ensuring faster, and more focused new product development.

 Refer page 130

Revision of Human Resources and Sales Force Administration Policy Framework

The Company revised all Human Resources and Sales Force Administration related policy framework to further streamline the processes and strengthen the governance around the same.

Improved Customer Due Diligence Process

The Customer Due Diligence Process was further improved with the improvement in the process of identification of Politically Exposed Persons (PEPs), where an occupational grid in the underwriting journey was incorporated in order to facilitate identification of PEPs.

Brand and Social Media Governance Framework

The Company launched the Brand and Social Media Governance Framework which is a brand execution and stewardship guide for all employees and insurance agents.

 Refer page 130

PDPA Compliance

Proactive steps were taken by the Company to initiate a GAP Assessment for the Personal Data Protection Act (PDPA), to ensure compliance with the PDPA when different parts of PDPA would come into operation.

 Refer page 131

E-learning Program on Anti Money Laundering

The Company launched a comprehensive and mandatory e-learning program for all employees on Anti Money Laundering (AML) with comprehensive content coverage, including an in-built mechanism for monitoring of completion status.

Revision of Agent Inquiry and Investigation Framework

The Company revised the Agent Inquiry and Investigation Framework and the Procedure to establish a framework for conducting fair and transparent investigations into customer complaints related to agents.

 Refer page 132

Key Highlights



Implementation of SLFRS 17

The Governance for successful implementation

The Board recognizes the critical nature of the SLFRS 17 implementation project and has formed a dedicated Steering Committee to guide the comprehensive review, restructuring, and transition process. This committee advises the Board on institutional readiness, covering both tactical and strategic considerations (details on page 147). In parallel, a robust project management team, comprising members from Finance, Actuarial, IT, and technical departments, demonstrates the Company's commitment to SLFRS 17 success. This team adheres to the implementation project plan, conducting regular meetings to discuss advancements, assessment of project risks, and addressing the resource requirements.

Key highlights of the Project implementation

Deferment of the effective date of SLFRS 17

In order to facilitate a seamless transition and allow sufficient time for implementation of the Standard, the Council of CA Sri Lanka has granted approval for a one-year extension of the effective date of SLFRS 17. Consequently, SLFRS 17 will now be applicable for the annual reporting periods commencing on or after 1 January 2026.

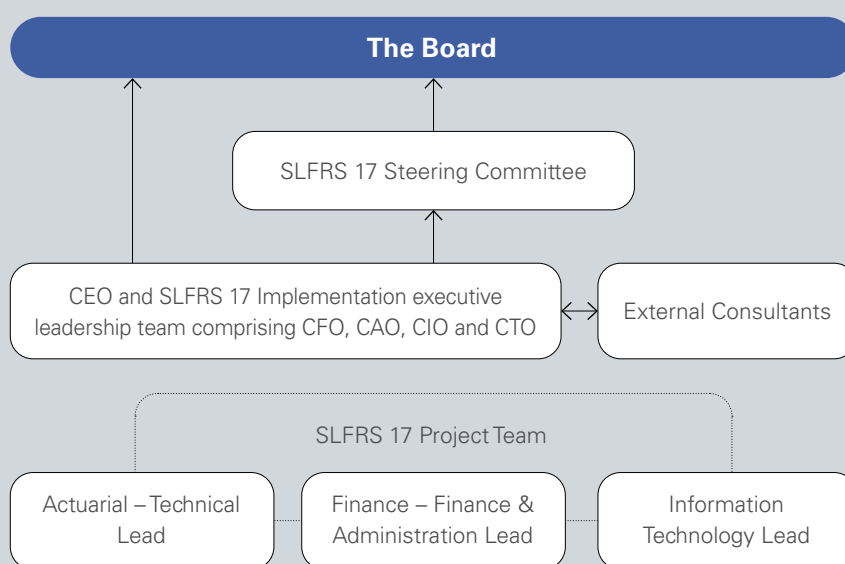
Simultaneously, the mandatory application of SLFRS 9 - Financial Instruments, which has implications for the insurance industry, will also be effective from January 1, 2026, aligning with the deferred implementation of SLFRS 17.

The Project roadmap and the current state

Insurance companies globally are migrating from SLFRS 4 to SLFRS 17 with the hope of developing one accounting model for all insurance contracts in all IFRS jurisdictions.

UA commenced the project in 2021 by commissioning a detailed and transparent process, towards full implementation by the effective date in phases.

SLFRS 17 Implementation Project Governance Structure



Phase	Description	Current Status	Planned Completion Timelines
Phase 01	Formulation of project team	Completed	2021
	Completion of gap assessment and evaluation	Completed	2022
Phase 02	Selection of SLFRS 17 software vendor and implementation consultant and Proof of Concept (POC)	Completed	2023
	Data readiness and drafting position papers and accounting policies	In progress	2024
Phase 03	System Installation, configuration, integration	In progress	2024
Phase 04	Generation of opening balances and disclosures	Not Started	2024
	Testing and Parallel runs	Not Started	2025

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE COMMENTARY



Brand and Social Media Governance Framework

Purpose

The Brand and Social Media Governance Framework is a brand execution and stewardship guide for all Union Assurance employees, advisors, and IROs.

Scope

The Governance Framework applies to any communication material where information may reflect on the image of Union Assurance, its employees and advisors. The aforementioned parties represent the Company every time they share any communications material, in both a professional or a personal capacity, on public or personal mediums.

The Governance Framework also applies to social media or online forum activities. This includes, among others, work-related postings; commenting on a topic related to Union Assurance; participating in any sponsored digital platforms; soliciting business opportunities as a representative of Union Assurance; identifying an employee's employment or affiliation with Union Assurance for any purpose; or creating personal social media posts.



Product Governance Framework

Purpose

The Product Governance Framework is a comprehensive guide that ensures that product strategy development is aligned strongly with the overall business plan, ensuring faster, and more focused new product development.

Scope

The Governance Framework restructured the product development process, with the oversight of key committees, including:

1. Product Strategy Committee

Responsible for developing and implementing product strategies to ensure that the business achieves its key objectives measured via identified key performance indicators. In addition, the Committee will oversee the product development process.

2. Product Development Committee

Responsible for developing, amending, and launching products as prioritised and targeted by the Product Strategy Committee. In addition, the Committee will ensure that the regulatory and business requirements are met and are complying.

3. Executive Committee

Overall oversight and responsibility on all business functions, with the Product Strategy Committee reporting to this Committee to ensure all strategies related to product development are implemented accordingly.

Within the Governance Framework, the Product Strategy Committee and the Product Development Committee were established with distinct oversight, responsibilities, and deliverables.



Personal Data Protection Act

The framework

The Personal Data Protection Act No. 9 of 2022 (PDPA) was passed in Parliament and certified by the Speaker on 19 March 2022 with the aim of aligning the Personal Data Protection framework of Sri Lanka with international best practices on personal data protection while providing for the establishment of a Data Protection Authority.

The PDPA specifies the rights of Data Subjects while requiring Data Controllers (entities located in Sri Lanka or outside Sri Lanka, including those offering goods or services to Sri Lankans and specifically targeting Data Subjects in Sri Lanka) and Processors to process Personal Data in a manner that is lawful and permitted under the PDPA.

Effective dates

While the expected operational periods of the Act were enumerated in Section 1, with the aim of rolling out the various sections in a staggered manner, the following Extraordinary Gazettes have now clarified the operative dates of the varying parts of the Act.

Extraordinary Gazette No. 2341/59 21 July 2023 - The provisions of Part V of the Act came into operation with effect from 17 July 2023.

Extraordinary Gazette No.2366/08 dated 8 January 2024 - The provisions of Part VI, VIII, IX and X of the Act came into operation with effect from 1 December 2023. The provisions of Part I, II, III and VII Act are to come into operation with effect from 18 March 2025.

Our approach for compliance with the PDPA

This legislation has a direct bearing on the insurance industry given the large volume of personal data that is processed for the purposes of providing insurance related services. Thus, all insurance companies will have to implement necessary organizational and technical measures in addition to evaluating internal processes and policies in order to ensure compliance with the PDPA.

The Company has embarked on several measures to ensure compliance with the PDPA. A roadmap has been devised in 2021 and certain preliminary measures were taken by the Company in 2022 for ensuring compliance, including creating awareness on PDPA with key stakeholders. The Company has identified the need for a comprehensive GAP assessment on PDPA and has commenced the project in 2023, to ensure compliance on or before the effective date of the PDPA.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE COMMENTARY



Agent Inquiry and Investigation Framework and the Procedure

Purpose

To establish a framework for conducting fair and transparent investigations into insurance agent non-compliances. This framework established a committee structure for oversight and a detailed procedure manual, including a framework for handling appeals.

Scope

The Governance Framework restructured the Agent Inquiry and Investigation process, with the oversight of key committees, including:

1. Agent Inquiry Resolution Committee

Responsible for analysing agent related complaints and assess recommendations made by the Inquiry Officer and the Committee collectively arrive at a final decision considering regulatory and ethical aspects.

2. Appeals Committee on Agent Inquiry

The primary objective is to provide a systematic and impartial mechanism for addressing appeals raised by insurance agents.

Compliance Summary

Regulatory Benchmark

	Requirements/Standard/Principle/Code	Adherence	Compliance Status	Page Reference
1	Corporate Governance Framework for Insurers issued by the Insurance Regulatory Commission of Sri Lanka (IRC SL), under Section 96 (A) of the regulation of Insurance Industry Act No. 43 of 2000	Mandatory	Complied	167
2	Statement of Compliance under Section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) on Annual Report Disclosure	Mandatory	Complied	168
3	Statement of Compliance under Section 7.10 of the continuing listing requirements of the Colombo Stock Exchange (CSE)	Mandatory	Complied	169 -170
4	Statement of Compliance under Section 9.3.2 of the Listing Rules of the CSE on Corporate Governance	Mandatory	Complied	170
5	Code of best practice on Related Party Transactions (2013) advocated by the Securities and Exchange Commission of Sri Lanka (SEC)	Mandatory	Complied	170
6	Content of the annual report as per Section 168 of the Companies Act No. 7 of 2007	Mandatory	Complied	171
7	Code of best practice on Corporate Governance (2013) advocated by the Securities and Exchange Commission of Sri Lanka (SEC)	Voluntary	Complied	-
8	Code of best practice on Corporate Governance (2017) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	Voluntary	Complied with the code to the full extent of business exigency	171 -173



Key Internal Policies

- Articles of Association of the Company
- Recruitment & Selection policies
- Rewards & Recognition policy
- Code of Conduct & Confidentiality of Information
- IT Policies including Data Protection
- Whistleblowing Policy
- Disciplinary Procedure
- Anti-Money Laundering Policy
- Financial Integrity and Financial Authority Levels

Ensuring Robust Corporate Governance during uncertain Macroeconomic Environment

“Corporate governance plays a pivotal role in guiding organizations through periods of economic uncertainty, where the Company is exposed to various macroeconomic challenges. Navigating through volatile economic landscapes requires a steadfast commitment to sound corporate governance practices to ensure transparency, accountability, and sustained business resilience.”

Challenges in Uncertain Macroeconomic Environments

Sri Lanka, like many other nations, faced challenges such as fluctuating exchange rates, inflationary pressures, political instability, and global economic uncertainties. In such an environment, businesses must be agile and responsive,

adapting their strategies to mitigate risks and capitalize on opportunities. Corporate governance serves as the cornerstone in building trust among stakeholders and fortifying organizations against external shocks. social, and governance (ESG) considerations for long-term value creation.

The Company has been continuously fostering transparency, embracing ethical leadership, and adapting governance frameworks to changing circumstances.

The following narrates key principles and strategies adopted during these uncertain times;

Key Principles Adopted:

Transparency and Disclosure:	- Emphasize consistent transparent financial reporting to instil confidence among shareholders and investors. - Regularly communicate the organization's financial health, risk exposures, and mitigation strategies.
Board Oversight and Independence:	- Ensure the independence of the Board to prevent conflicts of interest and foster objective decision-making. - Strengthen the role of board committees to enhance oversight in financial matters.
Risk Management:	- Implement robust risk management frameworks to identify, assess, and manage risks proactively. - Regularly review and update risk mitigation strategies to align with the evolving economic landscape.
Ethical Leadership and Corporate Culture:	- Foster a culture of ethical conduct from the top-down, promoting integrity and responsible business practices. - Demonstrate strong ethical leadership to build trust among employees, customers, and the wider community.
Stakeholder Engagement:	- Actively engage with stakeholders, including employees, customers, and the community, to understand their concerns and expectations. - Incorporate stakeholder perspectives in strategic decision-making processes.
Legal and Regulatory Compliance:	- Stay abreast of changes in laws and regulations, ensuring the organization's compliance with statutory requirements. - Emphasis on robust internal controls to prevent legal and regulatory violations.

Strategies for Enhancing Corporate Governance:

Continuous Board Education:	Provide ongoing awareness for Board members to keep them abreast of emerging governance best practices and regulatory changes.
Technological Integration:	Leverage technology to enhance governance processes, such as implementing advanced reporting systems and cybersecurity measures.
Adaptability and Scenario Planning:	Develop contingency plans that account for various economic scenarios, allowing the organization to respond promptly to changing circumstances.
Long-Term Sustainability Focus:	Embed sustainability into the corporate strategy, addressing environmental, social and governance factors.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE COMMENTARY

Corporate Governance and Our Value Creation Process:

Corporate Governance is at the core of our Value Creation process, and is connected to the organisational Capitals as depicted below;

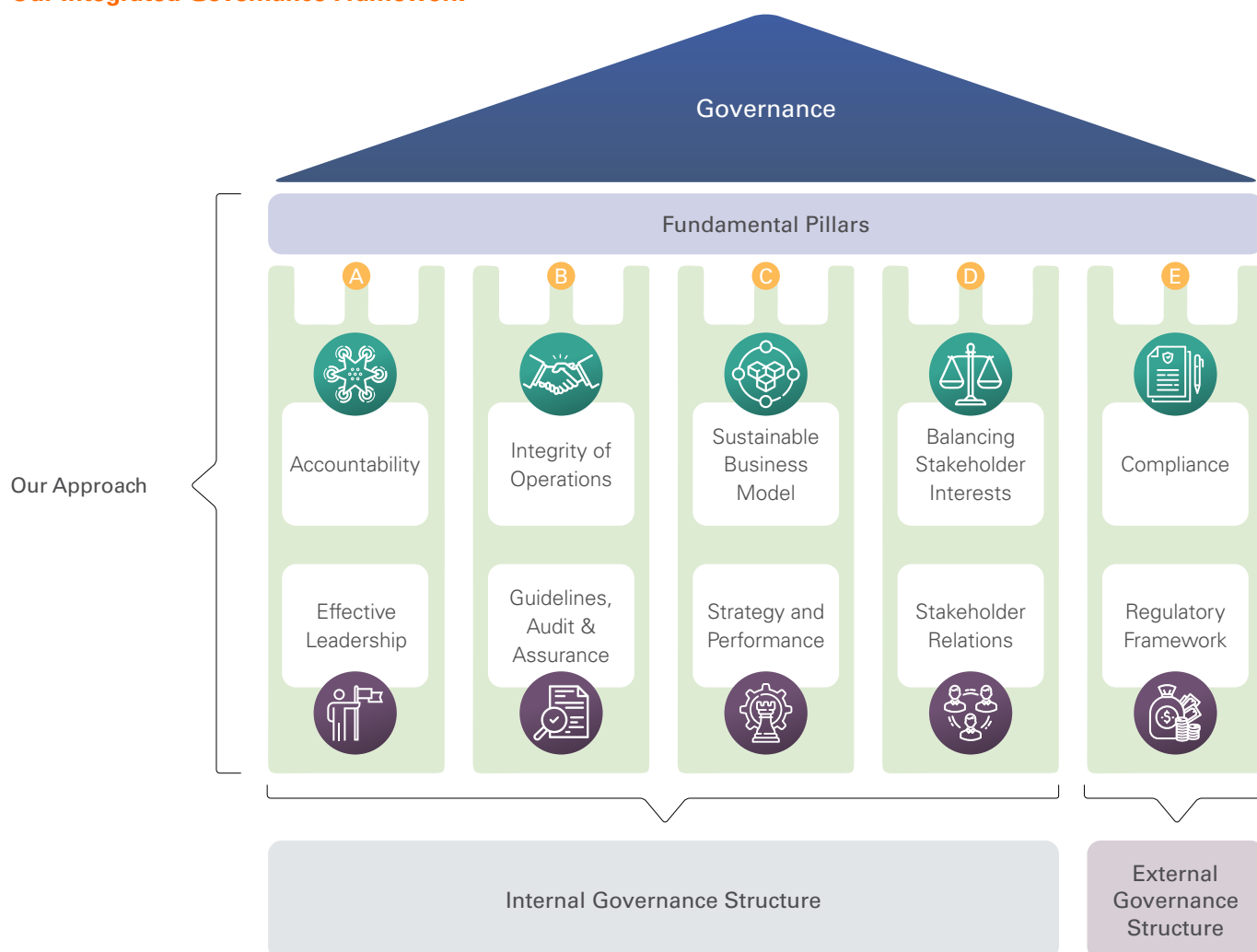


HOW WE ADMINISTER CORPORATE GOVERNANCE



The Board of Directors of Union Assurance PLC (UA) takes the view that Corporate Governance and Risk Management are the foundation on which the entire operations of the Company rests, as it guides the Board and all levels of employees in the conduct of business on a day-to-day basis. UA's robust governance framework and sound principles have proven to be a solid foundation in driving sustainable value."

Our Integrated Governance Framework



Internal Governance Structure

The structure in place focuses on the responsibility of the Board of Directors, Board sub-committees, and Senior Management of the Company who formulate, execute and monitor the Company's business objectives.

It further endorses the operating structure of the organisation, assignment of responsibilities and authority levels, set up of reporting lines and information to be conveyed as well as the deployment of internal control systems, including risk controls, compliance and internal audit.

A summary of the elements of the internal and external governance structures are highlighted in the Company's Corporate Governance model.

CORPORATE GOVERNANCE

HOW WE ADMINISTER CORPORATE GOVERNANCE

Performance Aspects

Effective Leadership



Section Number	Description	Page Ref.
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1.2	Board Composition, Skills and Diversity	138
1.3	Board Responsibilities	138-139
1.4	Board Governance Philosophy	139
1.5	Chairperson & Chief Executive Officer Role Segregation	139-140
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1.12	Board Appraisal	142
1.13	Appraisal of CEO	142
1.14	Fair Remuneration	142
1.15	Board Sub-Committees	143-150
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1.18	Executive Committee of UA	155-156
1.19	Company Secretary	157

Strategy and Performance



Section Number	Description	Page Ref.
3.1	Risk Management and Internal Controls	160
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Stakeholder Relations



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4.1	Stakeholder Engagement	164
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Guidelines, Audit & Assurance



Section Number	Description	Page Ref.
2.1	Charters & Policies	157
2.2	Systems, Controls & Assurance	157-158
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Regulatory Framework



Section Number	Description	Page Ref.
5.1	Compliance framework and self-regulatory check-lists	165
5.2	Statutory and regulatory compliance	166

(A) Accountability

1.0 Effective Leadership

The Board of UA (BoD)

The Board is appointed by the Shareholders, and has ultimate responsibility and accountability for the performance of the Company and its affairs. The Board of Directors plays a pivotal role in maintaining a good corporate governance culture within the Company. The Board is committed to a transparent and effective governance system that provides stakeholders with a high degree of confidence that the Group is being managed effectively.

Board Sub-committees

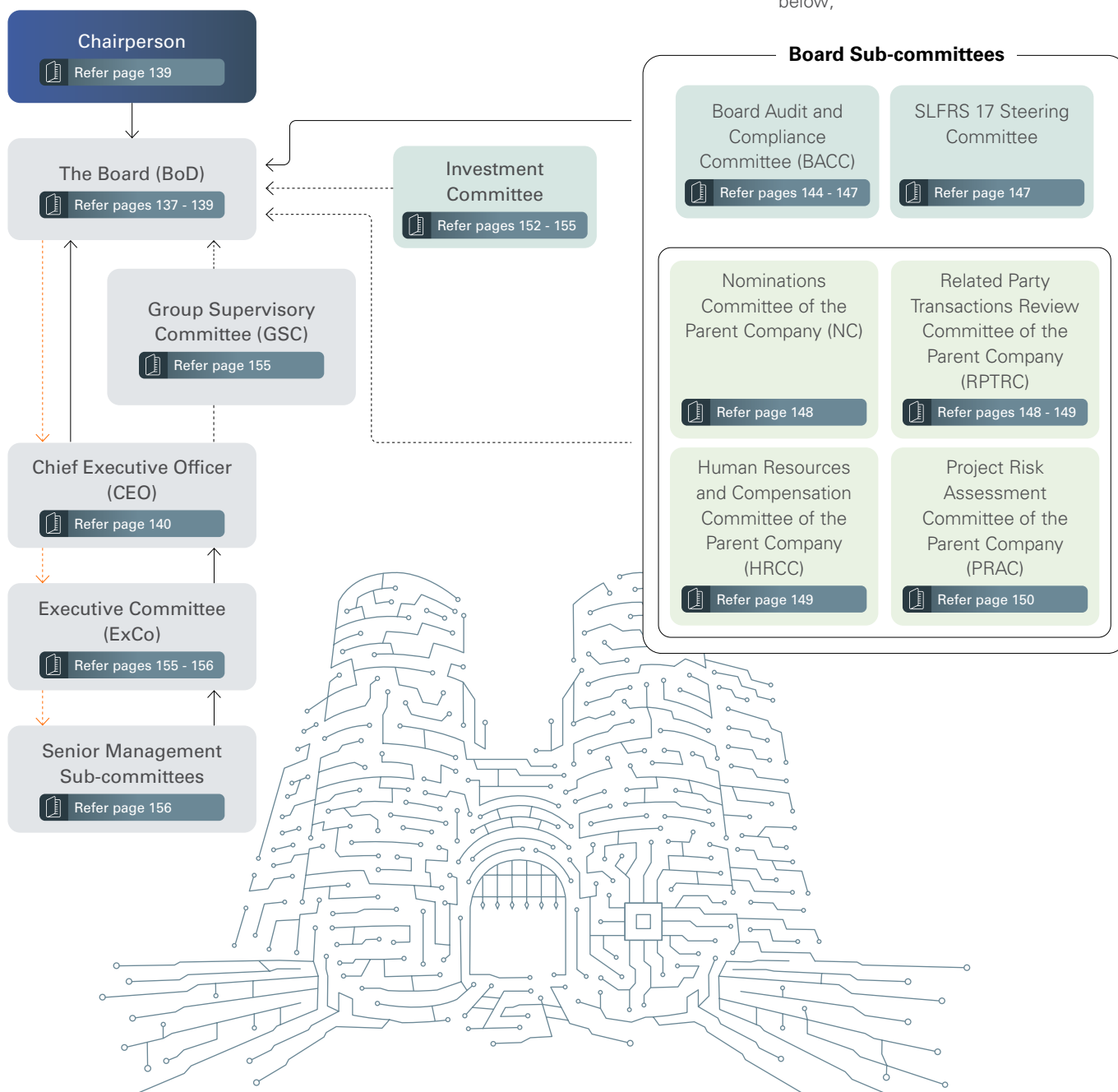
The Board determines the strategic direction of the Company, manages risk and sets in place a sound Governance framework. Certain responsibilities of the Board have been delegated to Board sub-committees and the Executive Management of UA, which is explained in detail through this report. The Nominations Committee, the Human Resources and Compensation Committee, the Related Party Transactions Review Committee and the Project Risk Assessment Committee of John Keells Holdings PLC being the Parent Company of UA ("Parent Company"), serve as sub-committees for the Board of UA.

Details of the sub-committees and their reports are provided on pages 144 to 150.

1.1 Our Internal Governance Structure

The Company operates with a Two-Tier governance structure, namely the Board of Directors comprising of Non-Executive Directors and the Executive Management Committees (ExCo), headed by the CEO.

This distinguishes clearly between the Supervisory body and the Management, whilst segregating core responsibilities between the Chairperson and CEO. Our internal governance structure is depicted below;



CORPORATE GOVERNANCE

HOW WE ADMINISTER CORPORATE GOVERNANCE

1.2 Board Composition, Skills and Diversity

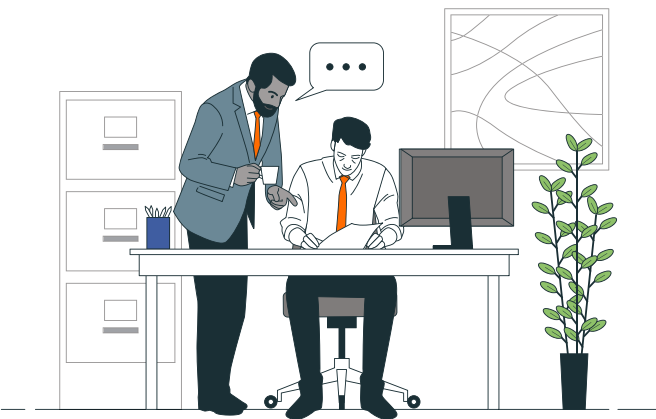
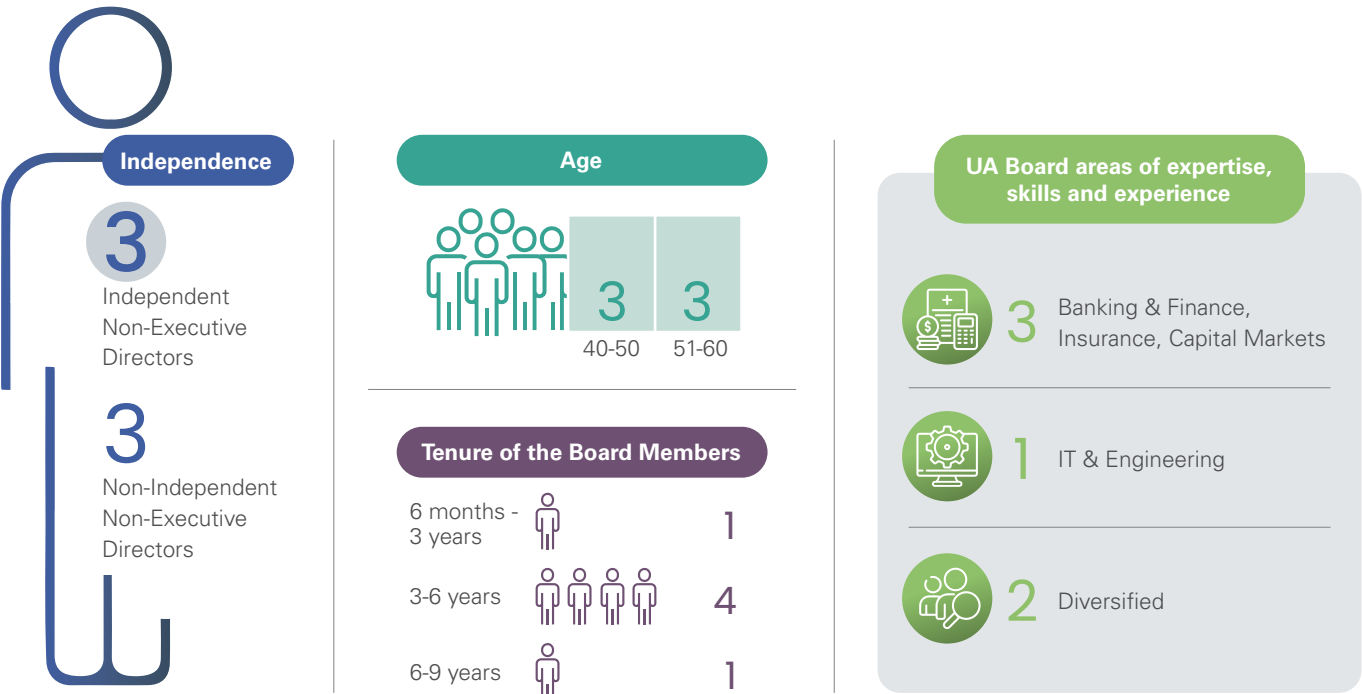
The Composition of the Board of UA is governed by the Listing rules set out by Colombo Stock Exchange and the Articles of Association of the Company.

Insurance companies need a broad range of skills to ensure and create value in the interest of all stakeholders. The Board determines the required composition of

skills in response to the rapidly changing environment and shifts in UA's own long-term strategy. Having the appropriate mix of skills and experience ensures that the Board, as a collective, is well equipped to guide and drive UA's strategy into the future and thereby create value.

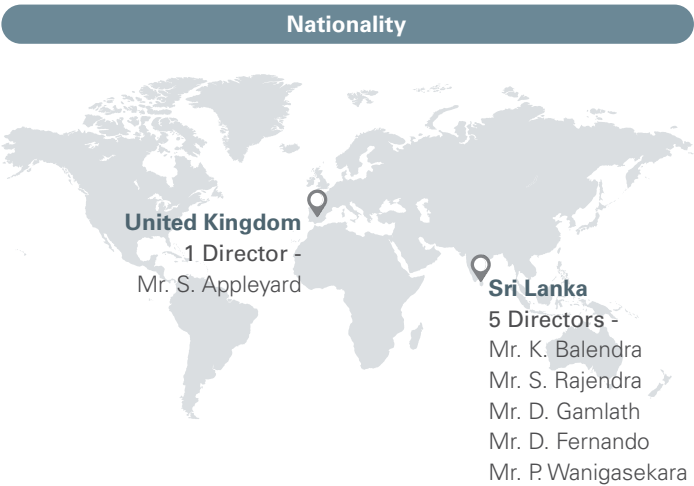
The Board of Union Assurance consisted of six Directors as of 31 December 2023. All the Directors are Non-

Executive Directors and three of them are Independent Directors. The Board is diverse in its experience, expertise and age, contributing varied perspectives to boardroom deliberations whilst exercising independent judgement to bear on all matters. Brief profiles of the six Board members are given on pages 122 to 123 of this report. The following illustrates the key skills, composition and personal attributes of the Directors of UA.



1.3 Board Responsibilities

In carrying out its responsibilities, the Board promotes a culture of openness, productive dialogue and constructive dissent, ensuring an environment which facilitates employee empowerment and engagement, while creating value to all stakeholders.

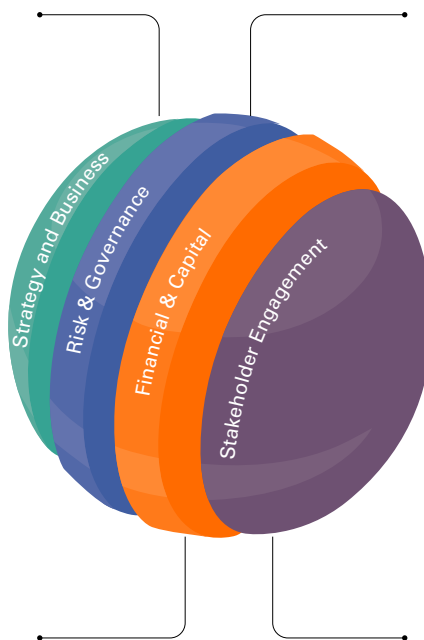


Board's key responsibilities include:**Strategy and Business**

- ◉ Providing strategic direction for formulating and implementing the corporate strategy for value creation in the short, medium and long-term.
- ◉ Reviewing and approving annual and long-term business plans
- ◉ Monitoring performance and achievement of targets
- ◉ Reviewing top management succession planning

Financial & Capital

- ◉ Approving the issue of equity/debt securities
- ◉ Approval of financial policies and certain actions outside the remit of the Investment Committee
- ◉ Approval of Company's Financial Statements
- ◉ Recommending/declaring dividends
- ◉ Ensuring sound systems of internal controls, risk management and integrity of the financial information

**Risk & Governance**

- ◉ Ensuring that operations are carried out within the scope of the Enterprise Risk Management framework
- ◉ Monitoring systems of governance and compliance
- ◉ Appointing the CEO and reviewing the performance of the CEO, the Board and its sub-committees
- ◉ Reviewing and approving required amendments to delegation of authority
- ◉ Review of objectives and Key Performance Indicators of the CEO and the Senior Management, whilst ensuring that they possess the skills, experience and knowledge to implement strategies
- ◉ Review policies and procedures

Stakeholder Engagement

- ◉ Ensuring all stakeholder interests and perspectives are considered for corporate decisions
- ◉ Building and improving stakeholder relationships and promoting value creation

1.4 Board Governance Philosophy

The Board of UA is committed to the highest standards of governance, ethics and integrity, which are essential for sustained value creation and safeguarding the interests of all our valued stakeholders. The Board believes that good governance contributes to living our values through enhanced accountability, strong risk and performance management, transparency as well as ethical and effective leadership.

We act in the best interest of all our stakeholders, and we continue to review the best practices and frameworks on an ongoing basis in order to sustain in the highly dynamic business environment which we operate.

1.5 Chairperson and Chief Executive Officer (CEO) Role Segregation

The roles of the Chairperson and the Chief Executive Officer are separated, to facilitate the balance of power and authority as depicted below.

Chairperson**Role:**

Critical to preserving good Corporate Governance, the Chairperson provides leadership to the Board, preserving order and facilitating the discharge of duties.

Responsibilities:

- ◉ Ensuring the effective participation of all Directors at meetings.
- ◉ Maintaining open lines of communication with Key Management Personnel.
- ◉ Ensuring constructive working relations between the Executive and Non-Executive Directors.
- ◉ Ensuring with the Board Secretary's assistance, that the Board procedures are followed and information is disseminated in a timely manner to the Board.

CORPORATE GOVERNANCE

HOW WE ADMINISTER CORPORATE GOVERNANCE

CEO

Role:

Provides executive leadership and expertise in the implementation of plans and achievement of strategic objectives.

The CEO is held accountable to the Board for the performance of the Company.

Responsibilities:

- Execution of strategies and policies set by the Board.
- Ensuring efficient management of business.
- Ensuring the operating model is aligned with short and long-term strategies of the Company.
- Succession planning of Senior Management.

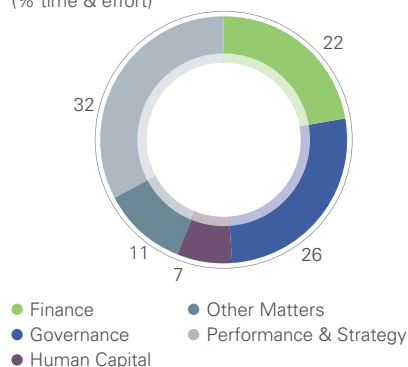
1.6 Board Meetings

The Board meetings are usually held quarterly, unless business exigencies demand the convening of additional meetings. The Board is well engaged and dedicates adequate time and effort for addressing Company matters. The Board also conducts discussions on specific subjects relevant to the business such as budgets. Board meetings always welcome free exchange of views by the Directors bringing their experience and independent judgement to bear upon the issues and decisions at hand.

During the year 2023, the Board met on five (05) occasions. The agenda and the Board papers are generally shared seven (07) days prior to the meeting allowing sufficient time for review of the same.

Time and Effort on Board Activities

(% time & effort)



Key Focus Areas of the Board Meetings



Performance and Strategy

- Business Planning and Strategy
- Business Performance
- IT & Digital Road Map
- Review of New Products



Governance

- Internal & External Audits
- Minutes of Board's Committee Meetings
- Risk Management
- Regulatory Compliance



Finance

- Solvency Position
- Quarterly and Annual Financial Statements
- Budgets and Variances
- CAPEX



Human Capital

- Key HR Policies
- Performance Based Payments
- Employee Surveys
- Employee Development & Succession Planning

Meeting Attendance

The attendance of Board meetings in 2023 is given below;

Name of Director	Date of Appointment	Eligibility	Attendance
Non-Executive Directors			
Krishan Balendra	01.01.2019	5	5
Suresh Rajendra	16.08.2011	5	5
Daminda Gamlath	10.06.2020	5	5
Independent Non-Executive Directors			
Dumith Fernando	03.08.2018	5	5
Stephen Appleyard	01.01.2019	5	5
Pasan Wanigasekara	01.04.2023	3	3
Malinga Arsakularatne (resigned w.e.f. 06.03.2023)	14.07.2020	1	1

1.7 Board Appointments and Re-election

Board appointments follow a structured and formal process, within the purview of the Nominations Committee. Terms of Reference of the Nominations Committee and the Committee Report can be found on page 148.

In accordance with the Articles of Association of the Company, one third of the Directors retire from office at each Annual General Meeting (AGM). The Directors except the Chairperson to retire, shall be those who being subject to retirement by rotation, have been the longest in office since their last election, or appointment of a retiring Director who would be eligible for re-election by the Shareholders. Any Director who has been appointed to the Board during the year, holds office until the next AGM, and is eligible for re-election by the Shareholders.

Details of new Directors are disclosed to the Shareholders at the time of their appointment by way of announcement

through the CSE, as well as in the Annual Report. Directors are required to report any substantial changes in their professional responsibilities and business associations to the Nominations Committee, which will examine the facts and circumstances, and make recommendations to the Board accordingly.

Appointments

Mr. P.T. Wanigasekara
(Independent Non-Executive Director)
w.e.f. 1 April 2023

Resignations

Mr. M. Arsakularatne
w.e.f. 06 Mar 2023

Retirements

There were no retirements during the year 2023.

Re-elections

Mr. S. Rajendra will offer himself for re-election at the AGM to be held on 28 March 2024 in terms of Article 84 of the Articles of Association of the Company.

Mr. P. T. Wanigasekara will offer himself for re-election at the AGM to be held on 28 March 2024 in terms of Article 90 of the Articles of Association of the Company.

1.8 Board Independence

All the Directors of Union Assurance PLC are Non-Executive Directors, with three Independent Non-Executive Directors and three Non-Independent Non-Executive Directors. All Directors are independent of Company Management and free of business dealings that may be perceived to interfere with the exercise of their unfettered and independent judgement. They submit annual declarations to this effect, which are evaluated to ensure compliance with criteria for determining independence, in line with regulatory requirements.

Compliance of Independent Non-Executive Directors in terms of their interest in business, is as follows;

Director	Employment in the Company (A)	Material Business Relationship (B)	Close Family Member is a Director or CEO (C)	Carrying not Less than 10% of Voting Rights (D)	Continuously Served for more than Nine Years (E)	Business Connection (F)	Director/ Shareholder in another Entity (G) and (H)
Pasan Wanigasekara	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Dumith Fernando	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
Stephen Appleyard	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant

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

CORPORATE GOVERNANCE

HOW WE ADMINISTER CORPORATE GOVERNANCE

Directorship details of the Board Members

The following table illustrates the total number of Board seats held in other listed and unlisted companies by each of the six Directors.

Name of Director	Total Number of Directorships held in other companies	Number of Board seats held in Listed Companies		Number of Board seats held in Unlisted Companies
		Executive Capacity	Non-Executive Capacity	
Krishan Balendra (Chairperson)	19	1	7	11
Dumith Fernando	18	-	1	17
Stephen Appleyard	1	1	-	-
Suresh Rajendra	19	-	3	16
Pasan Wanigasekara	4	-	-	4
Daminda Gamlath	19	1	1	17

1.9 Supply of Information

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

The Chairperson ensures that all Directors are briefed on the same, by requiring the presence of members of the Senior Management of the Company where necessary. Directors have independent access to Senior Management and unrestricted access to organisation information/resources, to discharge their duties. The Senior Management regularly makes presentations and keeps the Board abreast of important matters including strategy, regulatory updates, risk management, etc.

1.10 Access to Independent Professional Advice

To preserve the independence of the Board and to strengthen decision making, the Board is encouraged to seek independent professional advice, in furtherance of their duties at the Company's expense. This is coordinated through the Company Secretary, as and when requested.

1.11 Board Induction and Training

Directors undergo a comprehensive induction on appointment, where they are apprised, inter-alia of the Company values and culture, its operating model, policies, governance framework and processes, the Code of Conduct and operational strategies of the Company. Additionally, they are provided with the opportunity to meet with Key Management Personnel, External and Internal Auditors and visit key areas of operations, to obtain a better understanding of the business.

The Board of Directors recognises the need for continuous training, expansion of knowledge and undertakes such professional development as they may consider necessary, in assisting them to carry out their duties as Directors.

1.12 Board Appraisal

The annual appraisal to assess the effectiveness of the Board of the proceeding year was carried out in January 2024, using a questionnaire covering the operations of the Board and each of its principal Committees. The findings were tabled and discussed at the Board meeting held on 09 February 2024.

1.13 Appraisal of the CEO

The Board discusses and sets financial and non-financial targets at the beginning of each financial year to be achieved during the year by the CEO and aligned to the short, medium and long-term objectives of UA. Performance is reviewed at the end of the year against the backdrop of the operating environment, and remuneration is revised based on performance.

1.14 Fair Remuneration

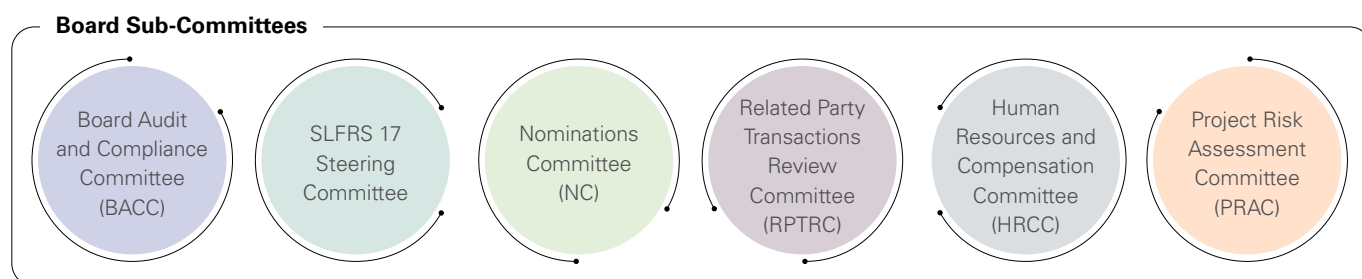
The Company has established a formal and transparent procedure for the determination of remuneration of individual Directors. No Director is involved in deciding his or her own remuneration. Accordingly, the Human Resources and Compensation Committee comprised solely of Independent Non-Executive Directors of the Parent Company - John Keells Holdings PLC, functions as the Remuneration Committee of the Company as permitted by the Listing Rules of the CSE.

Due care is taken to ensure that the remuneration paid to Board members is commensurate with their skills, knowledge, competencies and involvement in Board activities. Director remuneration is determined in reference to that of other comparable companies and additional fees are paid to Directors for either chairing or being a member of a Board Sub-Committee. Such remuneration is reviewed and adjusted as deemed necessary in keeping with the complexity of the business of the Company. Director fees for nominee Directors of John Keells Holdings PLC are paid to John Keells Holdings PLC and not to individual Directors.

1.15 Board Sub-committees

The Board has delegated some of its functions to Board sub-committees, while retaining decision rights. Members of these sub-committees are able to focus on their designated areas of responsibility, and impart knowledge/oversight in areas where they have greater expertise. Recommendations of these Committees are addressed directly to the Board, and minutes of meetings are tabled and discussed at the main Board meetings.

The Board sub-committees of UA are as follows:



Board Sub Committees comprised predominantly of Independent Non-Executive Directors

Board Sub Committees and its strategic oversight

Board Sub Committee	Areas of Oversight	Detailed Information and Committee Report
Board Audit and Compliance Committee (BACC)	- Financial reporting - Internal controls & Risk management - Internal & External Audits	Report of the BACC on pages 144 - 147
SLFRS 17 Steering Committee	- Review the SLFRS 17 project roadmap & the strategic way forward. - Keep the BACC and the Board apprised of the progress made, on the transition to SLFRS 17	Report of the SLFRS 17 Steer. Co. on page 147
Nominations Committee (NC)	- Appointment of Key Management Personnel - Succession planning of the Board - Effectiveness of the Board and its Committees	Report of the NC on page 148
Related Party Transactions Review Committee (RPTRC)	Disclosure and review of Related Party Transactions	Report of RPTRC on pages 148 - 149
Human Resources and Compensation Committee (HRCC)	- Review remuneration policy - Succession planning of Key Management Personnel - Review and recommend performance-based payment plans	Report of the HRCC on page 149
Project Risk Assessment Committee (PRAC)	- Review and assess large scale investments and projects - Evaluate project risks	Report of the PRAC on page 150

CORPORATE GOVERNANCE

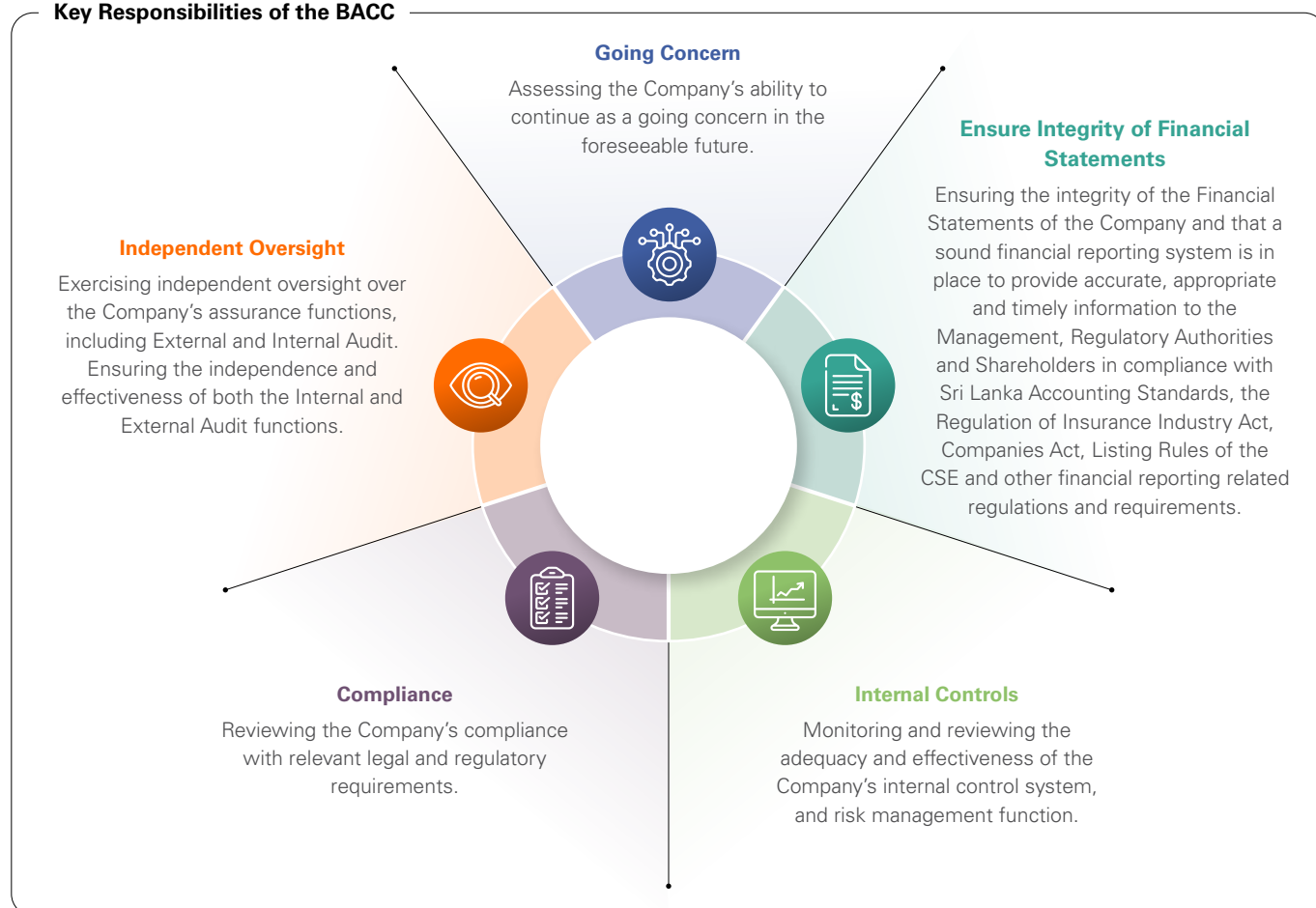
REPORT OF THE BOARD AUDIT AND COMPLIANCE COMMITTEE (BACC)

Terms of Reference

The Board approved Committee Charter clearly defines the Terms of Reference (TOR) of the BACC, and regulates its composition, role and responsibilities.

The role of the Committee is to assist the Board of Directors in fulfilling its oversight responsibilities over financial reporting, internal controls and risk management, compliance with legal and regulatory requirements, external audits and the adequacy and performance of the Internal Audit function of the Company.

Key Responsibilities of the BACC



Authority of the BACC

The Committee is empowered to carry out any investigations it deems necessary, and has unrestricted access to records, data, reports to Management and staff, in order to obtain relevant information considered necessary in the discharge of its duties and responsibilities.

The Committee seeks external professional advice as and when required.

The Chairperson and the members of the Committee were in regular contact with the Management of the Company, through numerous meetings and communications to oversee the audit and control aspects of various initiatives the Company undertook during the year.

Key Focus Areas and Functions of the Committee:

Financial Reporting



- Reviewed the Company's financial reporting process to ensure Financial Statements are prepared in compliance with relevant laws and regulations and reflect a true and fair view on the financial position and performance of the Company.
- Reviewed and recommended to the Board for approval, the Annual and the Quarterly Financial Statements prior to their release.
- Assessed the adequacy of the internal controls and procedures, to obtain reasonable assurance that the financial reporting system is effective in providing reliable and timely information.

Internal Controls and Risk Management



- The Committee satisfied itself that adequate controls and procedures are in place to provide reasonable assurance to the effect that the Company's assets are safeguarded.
- The Audit & Compliance Division with the guidance of the Sustainability and Enterprise Risk Management division of JKH assessed and reinforced to the Committee on the process of identification, evaluation and management of all significant risks faced by the Company. The risk register reported, covered the overall risk profile of the Company and the Committee reviewed the risk register on a quarterly and ongoing basis, illustrating the foreseeable risks the Company faces together with mitigatory actions. The Committee reviewed the risk register taking the socio and macro-economic situation prevailed in the country and resultant risks factors and emerging trends.
- The Committee reviewed the effectiveness of the Company's internal controls and risk management processes, through audit findings and recommendations by the External Auditors and Internal Auditors, as per the annual audit plan.
- Data protection and Cyber Security are regularly addressed during the BACC meetings.

Internal Audit



The Committee monitors the effectiveness of the Internal Audit function and is responsible for recommending to the Board their appointment or removal, and for ensuring they are adequately resourced to conduct audits.

- Monitored and reviewed the scope, extent, methodology, and effectiveness of the Internal Audit function. The scope was designed based on a fraud deterrent framework, which was implemented across the JKH Group by the Group Business Process Review (GBPR).
- Reviewed 40 Internal Audit reports during the year, covering operations of 36 Branch locations and several Head Office functions including Underwriting, Claims, Re-insurance, Finance, Human Resources, Sales Force Administration, Investments and Information Technology.

- Ensured the Internal Audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care.
- Met the Internal Auditors without the presence of Key Management Personnel during the year.
- The Audit, Risk & Compliance Division updated the BACC frequently on the progress of outsourced Internal Audits, significant audit observations, the status of previously reported audit observations, and the BACC sought clarifications on any concerns which may warrant the attention of the BACC.

Composition of the Committee as at 31 December 2023

The Audit Committee comprises of Non-Executive Directors, where majority are Independent Directors. Further the composition of the committee complies with the requirement of having at least one member with significant, recent and relevant Financial Management and Accounting experience, along with a Professional Accounting qualification. Please refer to the BoD profiles on pages 122 to 123.

Pasan Wanigasekara (Chairperson)
Independent Non-Executive Director
Appointed w.e.f. 01 April 2023

Dumith Fernando
Independent Non-Executive Director
Appointed w.e.f. 03 August 2018

Suresh Rajendra
Non-Executive Director
Appointed w.e.f. 26 September 2011

CORPORATE GOVERNANCE

REPORT OF THE BOARD AUDIT AND COMPLIANCE COMMITTEE (BACC)

Regular Attendees by Invitation

Senath Jayatilake

Chief Executive Officer

Asha Perera

Chief Financial Officer

Rehan Ismail

Assistant Vice President - Risk & Compliance

Hisham Nazeem

Head of Group Business Process Review - John Keells Holdings PLC

Other Invitees

Other Members of the Executive Committee of the Company, External and Internal Auditors attended by invitation on a need basis.

Secretary to the Committee

Sherin Cader - Executive Vice President/ Chief Financial Officer of the Financial Services Industry Group of John Keells Holdings PLC

BACC Meetings

Four (04) meetings were held during the year. Minutes of the BACC meetings are regularly reported to the Board.

Name of Committee Member	Eligibility to attend/ Attended
Malinga Arsakularatne (resigned w.e.f. 06 March 2023)	1/1
Pasan Wanigasekara	3/3
Dumith Fernando	4/3
Suresh Rajendra	4/3

Ensuring Independence and Objectivity of the External Auditors

The Committee has policies in place aimed at safeguarding and supporting the independence and objectivity of the External Auditors. The services provided by the External Auditors were segregated between what requires an independent

view, such as audit and assurance services and other advisory services such as tax consultancy. The work is assigned in a manner to prevent a conflict of interest for the External Auditor.

- Assisted the Board in engaging External Auditors for audit and non-audit services, in compliance with regulatory provisions.
- Discussed the audit plan, scope and the methodology proposed to be adopted in conducting the audit with the Auditors, prior to commencement of the Annual Statutory Audit.
- Reviewed the audit and non-audit work assigned during the year, and monitored the independence, objectivity and effectiveness of the External Auditor.
- Reviewed audit findings, management letters and management responses.

Messrs. KPMG have been functioning as the External Auditor from 1988. The last Engagement Partner rotation was carried out in the year 2020, with the KPMG Engagement Partner having completed six years. The Committee reviewed the audit and non-audit work that is assigned to Messrs. KPMG, to ensure that provision of such services does not impair their independence.

External Auditors, Messrs. KPMG, have made a declaration as required by the Companies Act, confirming that they do not have any relationship or interest in the Company, which may have a bearing on their independence within the meaning of the Code of Best Practice on Corporate Governance 2023 issued by CA Sri Lanka.

Oversight on Regulatory Compliance

The Committee with the assistance of the Internal Auditors, External Auditors, and the Audit, Risk and Compliance division of the Company, closely scrutinises compliance with mandatory statutory requirements, reviewing alignment of the systems and procedures in place to ensure compliance with such requirements.

Further, the BACC continued to monitor and oversee the bottom-up compliance sign-off process, to ensure compliance of all functions within the Company. This process provides comfort to Senior Management and the Board, that staff at all functions are aware and conduct business transactions as per laid down rules and procedures. This process is also verified by internal auditors as part of the Audit scope. Please refer further details on the structure of the bottom-up compliance sign-off process on page 158.

Report of External Actuary

Written representations were received from the independent external Actuary, summarising the observations and comments with regard to the work they performed. The Committee met the independent external Actuary, without the presence of Key Management Personnel during the year.

Ethics and Good Governance

The Committee continuously emphasises the importance of upholding ethical values by all staff members. The Code of Ethics and Whistleblower Charter, ensures all members of staff are encouraged to resort to Whistleblowing, if they suspect wrong doings or other improprieties.

All appropriate procedures are in place to conduct independent investigations, into incidents reported through Whistleblowing or identified through other means. The Whistleblower Charter guarantees strict confidentiality of the identity of Whistleblowers. The Committee reviewed the whistle-blowing arrangements for the Company during the year.

Evaluation of the Committee

The effectiveness of the Committee shall be evaluated annually by each member of the Committee. The outcome of the evaluation was presented to the Board, and it was determined that the Committee was effective.

Re-Appointment of the External Auditors

The Committee has recommended to the Board that Messrs. KPMG be re-appointed as auditors for the financial year ending 31 December 2024, subject to approval by the Shareholders at the next Annual General Meeting. The Committee recommends the fees payable to the auditors, for approval by the Board.

Conclusion

The Committee is satisfied that internal controls have been operating as designed, and the Company's assets have been adequately safeguarded during the period under review.

The Committee is also satisfied that the Company's Internal and External Auditors have been effective and independent throughout the period.

The Committee believes that the Company's accounting policies are appropriate and have been applied accurately.



Pasan Wanigasekara
Chairperson
Board Audit and Compliance Committee

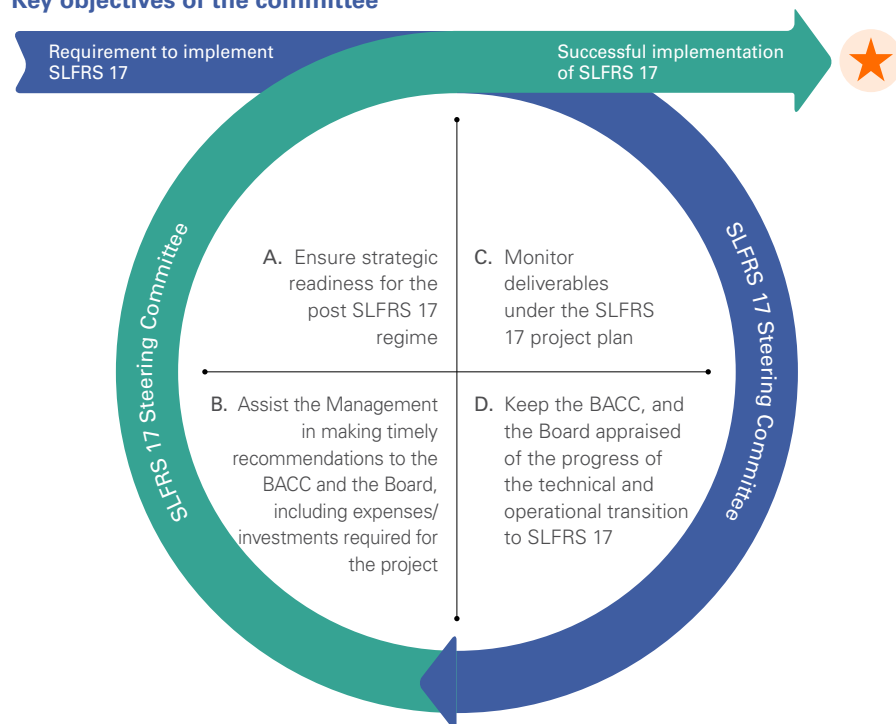
29 February 2024

SLFRS 17 STEERING COMMITTEE REPORT

Purpose and key objectives of the Committee

The Terms of Reference (ToR) of the SLFRS 17 Steering Committee aim to assist the Management of the Company, the Board Audit & Compliance Committee (BACC) and the Board of Directors (the Board), by overseeing the SLFRS17 implementation.

Key objectives of the committee



Sherin Cader (CFO – Sector)

Executive Vice President/Chief Financial Officer of the Financial Services Industry Group of John Keells Holdings PLC
Appointed w.e.f. 01 June 2021

Permanent Invitees:

The CEO, CFO, CIO and the CAO are regular attendees for meetings. The other members of the Executive Committee of the Company attend meetings by invitation on a need basis.

Secretary to the Committee

Sherin Cader - Executive Vice President/Chief Financial Officer of the Financial Services Industry Group of John Keells Holdings PLC.

Meetings

Three (03) meetings were held during the year 2023.

Name of Committee Member	Eligibility to attend/ Attended
Stephen Appleyard	3/3
Suresh Rajendra	3/3
Sherin Cader	3/3

Composition of the Committee as at 31 December 2023:

Stephen Appleyard (Chairman)
Independent Non-Executive Director
Appointed w.e.f. 01 June 2021

Suresh Rajendra (Director)
Non-Executive Director
Appointed w.e.f. 01 June 2021

CORPORATE GOVERNANCE

REPORT OF THE BOARD NOMINATIONS COMMITTEE (NC)

The Scope of the Committee

- Assess what skills are required on the Board, given the needs of the business.
- Prepare a clear description of the role/capabilities required for appointments.
- Identify and recommend suitable candidates for appointments to the Board.
- Ensure that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment, specifying clearly the expectations in terms of time commitment, involvement outside of formal Board meetings, participation in Committees amongst others.
- Periodically, assess the extent to which the required skills are represented in the Board

The Mandate of the Committee:

- To recommend to the Board, the process of selecting the Chairperson and Deputy Chairperson.
- To identify suitable persons to be appointed to the Board of the Parent Company - JKH PLC and other Listed Companies in the Group, as Non-Executive Directors.

- Review the structure, size, composition and skills of the Board of Directors.
- Make recommendations on matters referred to it by the Board.
- Ensure every appointee undergoes an induction

Composition of the Committee

Majority of the members of the Committee are Non-Executive Directors. The Committee comprised the following Directors of the Parent Company, John Keells Holdings PLC (JKH) as at 31 December 2023. The Chairperson is an Independent Director:

Amal Cabraal (Chairperson)

Independent Non-Executive Director of John Keells Holdings PLC

Krishan Balendra

Executive Director/Chairperson and CEO of John Keells Holdings PLC

Premila Perera

Independent Non-Executive Director of John Keells Holdings PLC
Retired w.e.f. 01.07.2023

Hans Wijayasuriya

Independent Non-Executive Director of John Keells Holdings PLC

Dr. S. A. Coorey

Independent Non-Executive Director of John Keells Holdings PLC

Secretary to the Committee

Nadija Tambiah

President – Legal, Secretarial, and Corporate Social Responsibility.

Meetings

Four (04) were held during the year 2023.

Name of Committee Member	Eligibility to attend/ Attended
A Cabraal	4/4
K Balendra	4/4
H Wijayasuriya	4/4
P Perera*	3/3
S Coorey**	N/A

*Retired on 1 July 2023

**Appointed on 8 November 2023

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE (RPTRC)

As the Parent Company is also a listed Company, the Securities and Exchange Commission of Sri Lanka (SEC) has permitted the Related Party Transactions Review Committee of the Parent Company, to represent the listed Companies within the JKH Group, of which UA is a member.

Objective and Governing Policies

To exercise oversight on behalf of the Board of UA, in complying with the Code on Related Party Transactions (RPTs), issued by the Securities and Exchange Commission of Sri Lanka ("The Code"), and with the Listing Rules of the Colombo

Stock Exchange (CSE). The Committee has adopted best practices as recommended by CA Sri Lanka and the CSE. The Committee has also adopted best practice as recommended by the CA Sri Lanka and ensures that transactions are in line with the internal governance framework and associated policies.

Functions of the Committee

- The Committee primarily relied on processes that were validated from time to time, periodic reporting by the relevant entities and Key Management Personnel (KMP), with a view to ensuring that:

- » There is compliance with the Code and the Listing Rules of the CSE;
- » Protection of Shareholder interests; and
- » Maintenance and preservation of fairness and transparency.

- The Committee reviewed and pre-approved all proposed non-recurrent RPT's of the Company.
- Recurrent RPTs were reviewed annually by the Committee.

Further, in addition to the Directors, all Presidents, Executive Vice Presidents, Chief Executive Officers, Chief Financial Officers and Financial Controllers of respective companies/ sectors of the Group have been designated as KMPs in order to increase transparency and enhance good governance. Annual disclosures from all KMPs setting out any RPTs they were associated with, if any, were obtained and reviewed by the Committee.

Composition of the Committee

The Committee comprised the following Directors of the Parent Company, John Keells Holdings PLC (JKH) as of 31 December 2023:

Nihal Fonseka

Chairperson - Independent Non-Executive Director of John Keells Holdings PLC

Amal Cabraal

Independent Non-Executive Director of John Keells Holdings PLC

Suren Fernando

Independent Non-Executive Director of John Keells Holdings PLC

Premila Perera

Chairperson- Independent Non-Executive Director of John Keells Holdings PLC
Retired w.e.f. 01 July 2023

Sharmini Coorey

Independent Non-Executive Director of John Keells Holdings PLC

Regular Attendees by Invitation

Krishan Balendra

Executive Director/Chairperson and CEO of John Keells Holdings PLC

Gihan Cooray

Executive Director/Deputy Chairperson/ Group Finance Director of John Keells Holdings PLC

Secretary to the Committee

Hisham Nazeem

Head of Group Business Process Review of John Keells Holdings PLC

Meetings

Four (04) meetings were held on a quarterly basis during the year 2023.

Name of Committee Member	Eligibility to attend/ Attended
N. Fonseka	4/4
A. Cabraal	4/4
S. Fernando**	N/A
P. Perera*	2/2
S. Coorey***	2/2
By Invitation	
K. Balendra	4/4
G. Cooray	4/3

*Retired on 01 July 2023

**Attended by invitation on 06 November 2023 and he was appointed as a member on 08 November 2023

***Appointed on 01 July 2023 and retired on 08 November 2023

Conclusion

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

REPORT OF THE HUMAN RESOURCES AND COMPENSATION COMMITTEE (HRCC)

The Scope of the Committee

- Review and recommend the overall remuneration philosophy, strategy, policies, practices, and performance - based pay plans for the Group.
- Determine and agree with the Board on a framework for remuneration of the Chairperson and Executive Directors, based on performance targets, benchmark principles, performance related pay schemes, industry trends and past remuneration.
- Succession planning of the Key Management Personnel.
- Determining the compensation of Non-Executive Directors, will not be covered under the scope of this Committee.
- The Committee also reviews and monitors the performance of the Group's top talent for purposes of organisational growth and succession planning, with particular emphasis on succession at key executive level.

Composition of the Committee

The Committee comprised the following Directors of the Parent Company, John Keells Holdings PLC (JKH) as at 31 December 2023:

Amal Cabraal (Chairperson)

Independent Non-Executive Director of John Keells Holdings PLC

Dr. S. A. Coorey

Independent Non-Executive Director of John Keells Holdings PLC

Hans Wijayasuriya

Independent Non-Executive Director of John Keells Holdings PLC

Regular Attendees by Invitation

Krishan Balendra

Executive Director / Chairperson / CEO of John Keells Holdings PLC (unless Chairperson / CEO / Executive Director remuneration is under discussion)

Gihan Cooray

Executive Director / Deputy Chairperson / Group Finance Director of John Keells Holdings PLC (unless Executive Director Remuneration is under discussion)

Secretary to the Committee

Gihan Cooray

Deputy Chairperson / Group Finance Director is the Secretary of the Committee.

Meetings

01 (one) meeting was held during the year 2023

Name of Committee Member	Eligibility to attend/ Attended
Amal Cabraal	1/1
Sharmini Coorey	1/0
Hans Wijayasuriya	1/1

CORPORATE GOVERNANCE

REPORT OF THE PROJECT RISK ASSESSMENT COMMITTEE (PRAC)

Purpose of Establishment

- ⊙ Identify, review and assess risks associated with large-scale investments and the mitigatory plans thereto
- ⊙ Ensuring that stakeholder interests are aligned, as applicable in making investment decisions.
- ⊙ Where appropriate, obtaining the specialised expertise required from external sources to evaluate the risks, in consultation with the Group Finance Director.
- ⊙ Recommend to the Board, any necessary actions required to mitigate risks that are identified during the course of evaluating a project, to ensure that those risks are captured for monitoring and mitigation.

Composition of the Committee

The Committee comprised the following Directors of the Parent Company, John Keells Holdings PLC (JKH) as at 31 December 2023:

Hans Wijayasuriya (Chairperson)

Independent Non-Executive Director of John Keells Holdings PLC

Premila Perera

Independent Non-Executive Director of John Keells Holdings PLC
Retired w.e.f. 01 July 2023

Krishan Balendra

Executive Director/Chairperson and CEO of John Keells Holdings PLC

Gihan Cooray

Executive Director/Deputy Chairperson/ Group Finance Director of John Keells Holdings PLC

The mandate requires the Committee to comprise a minimum of four Directors, including two Non-Executive Directors, the Group Chairperson and the Group Finance Director. The Committee Chairperson must be a Non-Executive Director.

Secretary to the Committee

Gihan Cooray

Deputy Chairperson/Group Finance Director is the Secretary of the Committee.

Meetings

As per the Mandate, the Committee convenes only when there is a need to transact any business.

There were no meetings held during the year 2023.

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

The following statement fulfils the requirement to publish the Directors' statement on Internal Controls, as per the Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka.

The Board of Directors is responsible for the adequacy and effectiveness of the Internal Controls System at UA. It is designed to manage the Company's key risk areas within an acceptable risk profile. The Board has established a continuous process for identifying, evaluating and managing the significant risks faced by the Company, and this process includes enhancing the system of Internal Controls as required, based on the changes to the operating environment and/or regulatory guidelines.

The Board has structured an Enterprise Risk Management (ERM) process to identify the key risks impacting the business and mitigating actions by the Management. The Company's Management implements policies on risk and controls set by the Board, and are accountable to the Board for monitoring and providing assurance as to their effectiveness. The Company has commissioned Messrs. Deloitte Partners as the independent Internal Auditors to ensure the effectiveness of the Internal Control Systems. Several processes have been improved during the year and in the past, as a result of these audit engagements. The Management assists the Board in the implementation of the Board's policies and procedures on risk and control, by identifying and assessing the risks faced, and in the design,

operation and monitoring of suitable Internal Controls to mitigate and control such risks.

The Board has implemented the following actions to obtain reasonable assurance that proper systems of Internal Controls are in place;

- ⊙ Delegated certain key responsibilities to Board sub-committees, where the members of these Committees have adequate expertise to assist in discharging the Board's duties and to improve governance.
- ⊙ Maintained an effective Board Audit and Compliance Committee (BACC), and an independent Internal Auditor to review and report on the Internal Control Environment of the Company.

- ◉ The minutes of the BACC meetings are tabled at regular Board meetings. The BACC reviews and approves the Internal Audit plan for each year, and the plan is structured on a matrix based on key risk areas and delivery dates. The report of the BACC provided on pages 144 to 147 of the Annual Report, provides details of the oversight responsibilities of the BACC, which are performed to assist the Board.
- ◉ The Internal Auditors conducted regular reviews to ensure the effective design and implementation of Internal Controls. The reports are discussed and reviewed by the BACC, and improvements to the processes have been/are being implemented where required.
- ◉ The Audit, Risk and Compliance division which oversaw the functions of Internal Audit, Compliance and Risk Management, independently reported the progress on relevant matters to the BACC.
- ◉ Concerning Information Technology (IT) controls, the Board has initiated and maintained multiple mechanisms; IT system audits were carried out to ensure the integrity of financial information. Data security and adequate access controls are in place with regards to both processing and privacy of data.
- ◉ The Company continued to implement a bottom-up Enterprise Risk Management (ERM) process, which is an ongoing process for identifying, evaluating and managing risks faced by the Company. A summary of the key risks is updated in a risk register and

reported to the BACC on a quarterly basis by the Audit, Risk and Compliance division. Quarterly updates also include new risks, mitigating actions and modifications of the risk statuses of previously identified risks. The process continued to be effective the year under review.

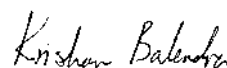
- ◉ Policies/charters are developed covering all functional areas of the Company, and these are approved by the Board or Board approved committees. Such policies and charters are reviewed and approved periodically.
- ◉ The Business Continuity Plan (BCP) was tested during the year under review, and the BCP was updated with the support of an external consultant in a rapidly changing operating environment.
- ◉ The BACC continued to monitor the progress of the bottom-up compliance sign off process, which strengthens the control environment.

Conclusion

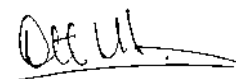
The Board having implemented the above, is aware that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, not absolute assurance against material misstatements of loss.

The Board confirms that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting. The Financial Statements have been prepared in accordance with applicable accounting standards, requirements of the Companies

Act No.7 of 2007, Regulation of Insurance Industry Act No. 43 of 2000, subsequent amendments and the listing rules of the Colombo Stock Exchange.



Krishan Balendra
Chairperson



Dumith Fernando
Director



Pasan Wanigasekara
Chairperson
Board Audit and Compliance Committee

29 February 2024

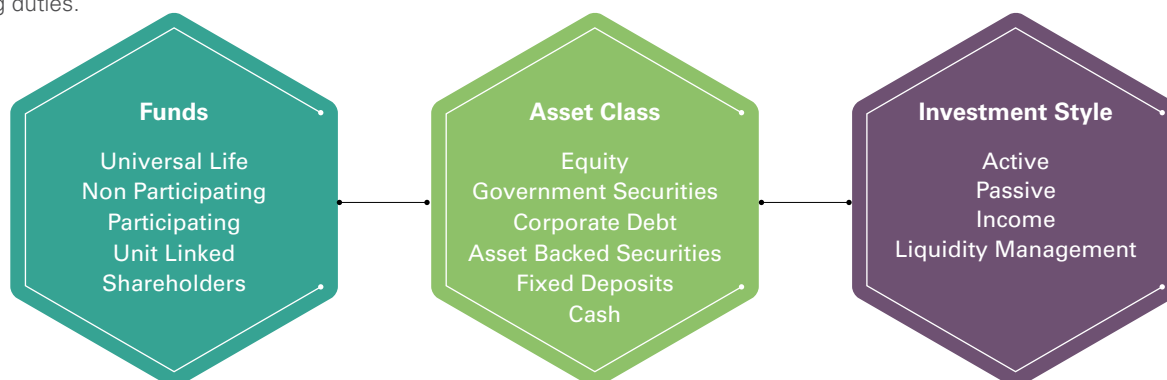
CORPORATE GOVERNANCE

1.16 Report of the Investment Committee (IC)

The investment committee manages shareholders' and policyholders' funds targeting sustainable growth of capital and fulfil financial obligations.

Terms of Reference

The Committee is guided by the Board approved Investment Policy Statements (IPS). The purpose of the Committee is to assist the Board of Directors to fulfil their responsibility to Shareholders and Policyholders, in relation to the management of the investment portfolios including the development of overall and portfolio specific investment guidelines. Within this framework, the Committee performs the following duties.



Key Focus Areas

 Investment Strategy	Provide investment expertise in formulation of sustainable investment strategy and tactical decisions to meet changing needs ◉ Evaluate the projected investment income outlined in the business plan, to make sure it's in line with the investment strategy ◉ Determine the guaranteed dividend rate for policyholders ◉ Provide feedback and inputs to actively managed equity investment ◉ Time to time evaluate and select appropriate fund managers .
 Investment Policies and Guidelines	Develop and review broad investment policies and guidelines that clearly defines each fund's objectives and risk return parameters ◉ Provide input to develop and periodically review the investment policy statements ◉ Develop necessary policies and guidelines to recruit and evaluate external asset managers ◉ Establish specific exposure limits and guidelines to follow when investing cash flow ◉ Ensure adherence to all regulatory requirements when managing funds
 Strategic Asset Allocation (SAA)	Provide guidance on asset allocation solutions that is tailored to each portfolio focusing on sustainable capital growth and regulatory requirements ◉ Develop a comprehensive long-term strategic asset allocation plan. ◉ Construct a balanced and diversified investment portfolio to optimize returns and minimize downside risks. ◉ Evaluate the quality of assets through credit ratings and financial strength analysis ◉ Review asset allocation and suggest tactical changes to SAA which will over/under weight assets given changing market trends



Forecast economic variables and trends

Identify and evaluate short- and long-term trends in the local and global economy that might affect the AUM

- ◉ Provide views on possible changes in economic variables that has a direct impact on asset management
- ◉ Conduct scenario analysis to assess the impact of different economic variables on Assets Under Management (AUM).
- ◉ Recommended changes to strategic asset allocation based on these views



Risk and Opportunities

Evaluating risk and opportunities relevant to managing total funds of the Company

- ◉ Identify, measure, monitor, and manage risks affecting the Company's AUM.
- ◉ Set exposure limits and recommend over/under weight of asset classes to manage risks.
- ◉ Make informed duration decisions to manage interest rate and re-investment risks.



Review performance periodically

Evaluate the performance of each fund and its contribution to the overall Company

- ◉ Monthly assessment of the performance of the external asset manager
- ◉ Identification of performance deviations from plan and or benchmark and propose appropriate actions

Composition

Deputy Chairperson/Group Finance Director of John Keells Holdings PLC is the Chairperson of the Investment Committee and has overall responsibility for the Group's Finance and Accounting, Taxation, Corporate Finance and Strategy, Treasury, Information Technology and Corporate Communications functions.

Members



5

Attendance



Meetings



Other Attendees



4

Composition of the Committee

Gihan Cooray - (Chairperson)

Deputy Chairperson/Group Finance Director and has overall responsibility for the Group's Finance and Accounting, Taxation, Corporate Finance and Strategy, Treasury, Information Technology and Corporate Communications functions. He was the Chairman of Nations Trust Bank PLC till 30 April 2023.

Pasan Thaminda Wanigasekara

Non-Executive Independent Director
(Appointed w.e.f. 1 April 2023)

Senath Jayatilake

Chief Executive Officer
(Appointed w.e.f. 1 January 2023)

Jude Gomes

Chief Executive Officer
(Resigned w.e.f. 31 December 2023)

Malinga Arsakularatne

Independent Non-Executive Director
(Resigned w.e.f. 6 March 2023)

Asha Perera

Chief Financial Officer

Shubham Jain

Chief Actuarial Officer

Angelo Keil

Head of Investment

CORPORATE GOVERNANCE

Regular Attendees by Invitation

Sherin Cader

Executive Vice President/Chief Financial Officer of the Financial Services Industry Group of John Keells Holdings PLC

Aruni Fernando

Manager Middle Office

An independent research and advisory firm specialised in the fields of economics, risk and investment management.

External Fund Manager who manages an allocation for the Company.

Meetings

12 meetings were held during the year. The minutes of the Committee meetings are presented to the Board of Directors, along with a detailed list of investments and their performance during the period.

Name of Committee Member	Eligibility to attend/ Attended
Gihan Cooray	12/12
Senath Jayatilake	11/10
Jude Gomes	12/10
Pasan Wanigasekara	9/9
Malinga Arsakularatne*	2/0
Asha Perera	12/12
Shubham Jain	12/11

*Resigned w.e.f. 6 March 2023

The following core principles of asset management continued to be adopted during the year:

A. Strategic Investment Oversight

Reviewed and Provided Recommendations to the Overall Investment Strategy.

In the past year, we meticulously assessed and recommended adjustments to our investment strategy to optimise performance and align with market conditions. Key highlights include:

- I. Cash Flows Allocation Guidance.
- II. Asset Class Return and Volatility Views
- III. Ensured ongoing alignment by monthly monitoring actual results against our strategic plan.

B. Establishing the Guaranteed Returns for Universal Life Fund

Reviewed and evaluated the optimal Guaranteed Dividend Rate for Universal Life Fund for 2024 based on multiple scenarios taking into consideration forecasted market dynamics. Recommended the actual policyholder dividend rate for 2023 based on the actual performance of the fund during the year.

C. Seizing Market Opportunities

Made Tactical Asset Allocation to Take Advantage of Market Anomalies.

In response to market dynamics, we implemented tactical asset allocation changes to take advantage of market anomalies:

- I. Alpha-Driven Strategies: Formulated strategies during high-interest-rate periods.
- II. Strategic Asset Class Shifts: Recommended short-term shifts between various fixed income assets and equity investments.

D. External Asset Manager Performance Oversight

Reviewed the Performance of the External Asset Manager and ensured our external asset manager’s alignment with our strategy through:

- I. Monthly Performance Review: Evaluated performance against benchmarks and planned returns.
- II. Strategy Alignment Assurance: Ensured the external manager’s strategy aligns with our overarching investment strategy.

E. Strengthening Back-Office Operations

Took Significant Strides to Improve Our Back-Office Procedures

Our commitment to operational excellence included:

- I. Increased Security Measures: Enhanced internal controls to prevent unchecked authority.
- II. Risk Mitigation Measures: Introduced additional protection layers through segregation of duties.
- III. Enhanced Efficiency: Optimised work-flow through specific role responsibilities for each team member.

F. Rigorous Portfolio Performance Evaluation

The committee periodically reviewed the fund’s yield, interest income, realised/unrealised gain, and losses:

- I. Monthly Portfolio Review: Assessed each portfolio’s performance against planned income and benchmarks.
- II. Deviations Analysis and Correction: Identified reasons for deviations and took corrective action if structural.
- III. Peer Comparison: Compared performance with peers and similar operations for continuous improvement.

G. Provide views on future economic outlook which is necessary for cash flow allocation. Utilised these views and carried out the tasks below to make sure cash flow is allocated efficiently

Provided Insights on Expected Macro Changes.

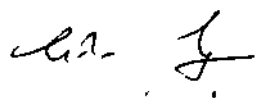
Offered valuable insights into the macro environment:

- I. Based on views carried out top-down analysis to determine which sectors and duration will provide the highest possible risk adjusted return

- II. Economic Scenario Analysis: Provide views on different economic scenarios to evaluate their impact on AUM.
- III. Access to External Expertise: Leveraged external expertise to gain insights into the near-term macro-outlook.

Conclusion

In view of all of the above, the Committee was satisfied with the performance of the Funds under management during the year, and the policies and procedures in place for management of the invested funds.



Gihan Cooray
Chairperson
Investment Committee

29 February 2024

1.17 Group Supervisory Committee (GSC)

The GSC Committee is chaired by Suresh Rajendra, Non-Executive Director, and this Committee continues to ensure a well devolved Executive Committee structure. The role, key focus areas and activities of the GSC are given below;



Review performance of the Company & its business lines, to ensure Management is focused on achievement of plans & objectives set by the Board.



Advise and guide the CEO & the Executive Committee of UA on corporate initiatives, including IT systems, products, & distribution channels, etc.



Evaluate capital & other expenditure that are not of a day-to-day operational nature.



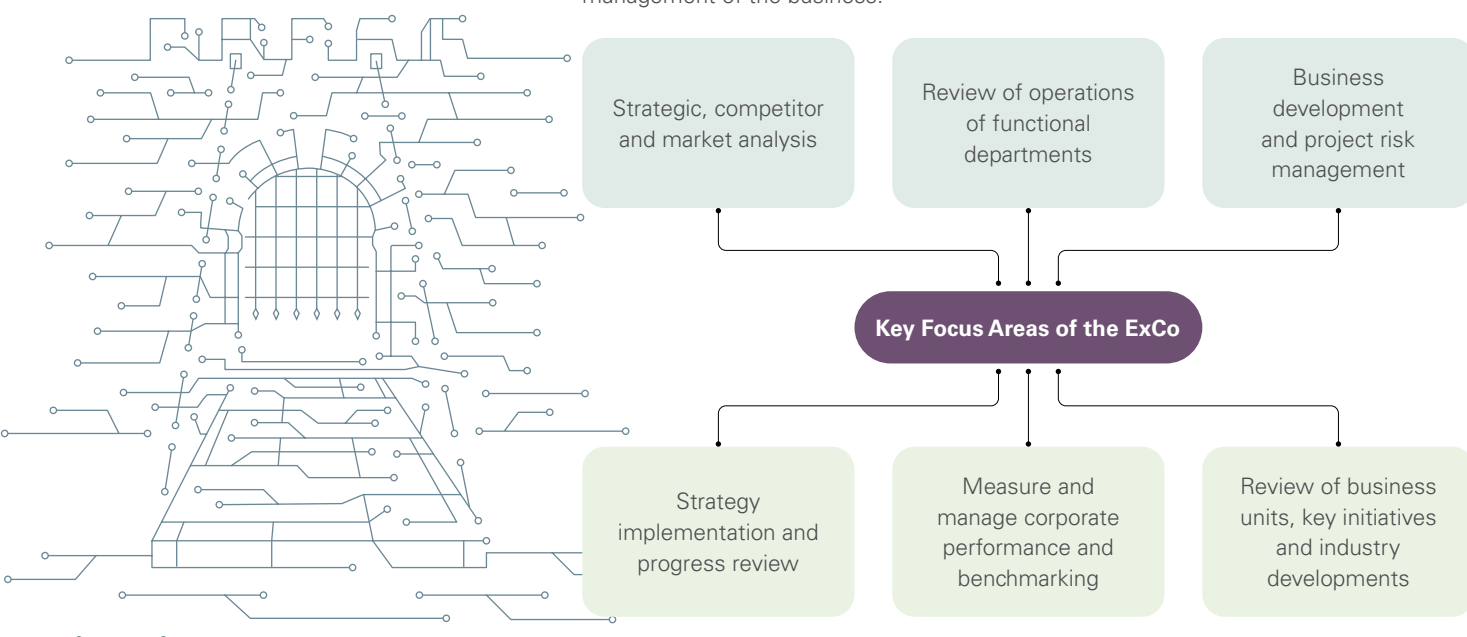
Review, advise & make recommendations on policy papers, business plans & proposals impacting operations.



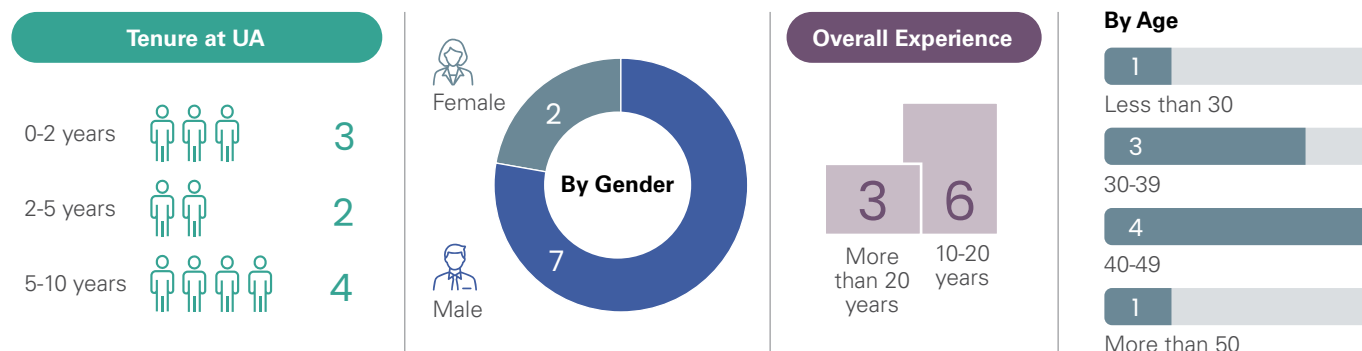
Review strategies & annual plans, prior to recommendation to the Board for approval.

1.18 Executive Committee (ExCo) and Senior Management Sub-committees

The ExCo consist of nine members of the Senior Management team, including the Chief Executive Officer of the Company. Led by the CEO, the ExCo drives corporate strategy and operationalises Company policies. They are responsible for the day-to-day operational management of the business.



CORPORATE GOVERNANCE



Senior Management Sub-committees

The below specific Committees comprising of Senior Management personnel have been set up to manage operations of UA in an efficient, transparent and effective manner and assist Executive Committee to drive the strategic objectives of the Company.

Capital Expenditure (CAPEX) Committee

- Review and rationalise CAPEX (excluding IT related) expenses.

IT Steering Committee

- Review and rationalise IT-related capital and revenue expenditure in order to:
 - Improve the overall productivity, efficiency and the effectiveness across distribution and service functions.
 - Provide secured, quality and uninterrupted IT facilities.
 - Ensure IT resource readiness for future advancements, while optimising the usage of existing IT resources.

Supplies Committee

- Transparent supplier registration.
- Optimise purchases and ensure quality, reliability and Value for Money (VFM).

Salvage Committee

- Transparent salvage process.

Spend Control Steering Committee

- The purpose of the Committee is to manage and monitor expenditure and cash flows, to ensure effective and efficient utilisation of funds.

Appeal Committee

- Receive and evaluate all appeals arising out of the complaints.
- Authorised to consult and obtain all details relevant to the matter
- Responsible for making decisions regarding whitelisting of ex-agents when such requests are received
- Review the actions and decisions along with the appeal

Product Strategy Committee

- Responsible for developing and implementing product strategy
- Oversee the product development process

Product Development Committee

- Responsible for developing, amending, and launching products as prioritised by the Product Strategy Committee
- Ensuring regulatory and business needs are met and are complying

Staff Committee

- Review cadre increases in line with expected volume growth and required service standards.
- Recommend staff promotions based on an annual performance appraisal process and review any organisational requirements outside this cycle.

Complementary Items Committee

- Complementary items procured meet the expected quality benchmarks and compliance with brand criteria.
- Ensure that all procurement is as per Company policies and procedures.

Marketing Steering Committee

Review ongoing marketing efforts in order to;

- Monitor and improve UA brand movement.
- Measure and improve customer satisfaction.
- Ensure continued assistance provided to other support functions.

Agent Inquiry Resolution Committee

- Analyse agent related complaints and review recommendations made by the Authorised Officer on agent inquiries
- Review initial fact findings and Authorised Officer's report

1.19 Company Secretary

All Directors have access to the advice and services of the Company Secretary; Keells Consultants (Private) Limited.

The Shareholders may contact the Company Secretary, Keells Consultants (Private) Limited on 0112306245 during working hours from 8.30 a.m. to 4.30 p.m., for any Company related information requirements.

Key responsibilities include:

- ⊙ Guiding the Board and all individual Directors in the proper discharge of their duties and responsibilities.
- ⊙ Acting as a central source of guidance on matters of ethics and governance.
- ⊙ Ensuring Board compliance with relevant rules and regulations.
- ⊙ Retaining and maintaining minutes, registers and similar records of the Company.
- ⊙ Assisting the Chairperson and the Chief Executive Officer in determining the Annual Board plan.
- ⊙ Making necessary disclosures on Related Party Transactions, as required by laws and regulations.
- ⊙ Acting as a channel of communication with Shareholders, to ensure a robust relationship with Shareholders

(B) Integrity of Operations

2.0 Guideline, Audit & Assurance

Stakeholders rely on the integrity of underlying operations for the presentation of credible information to make decisions. At UA, Audit and Assurance practices and activities are monitored by the Board Audit & Compliance Committee (BACC), supported by the Audit, Risk and Compliance division of UA, ensuring the integrity of operations.

These include compliance with applicable laws and regulations (explained under External Governance Structure – pages 165 and 166), adoption of appropriate internal policies, implementation of sound systems of internal control, adherence to a Code of Conduct, management of conflicts of interest, Internal Audit reviews and restrictive assurance by Independent External Auditors.

2.1 Charters and Policies

Combined with laws and regulations, our internally formulated charters and policies define how we operate. Details of key policy framework is provided on page 132.

2.2 Systems, Controls & Assurance

Corporate Management together with the guidance of the BACC, the Audit, Risk and Compliance division and through Internal Audits, periodically reviews the adequacy of internal controls for process optimisation and efficacy. During the year, the internal assurance process was reviewed and further strengthened.

Key areas of process controls at UA, include the following:



i. Compliance Assurance

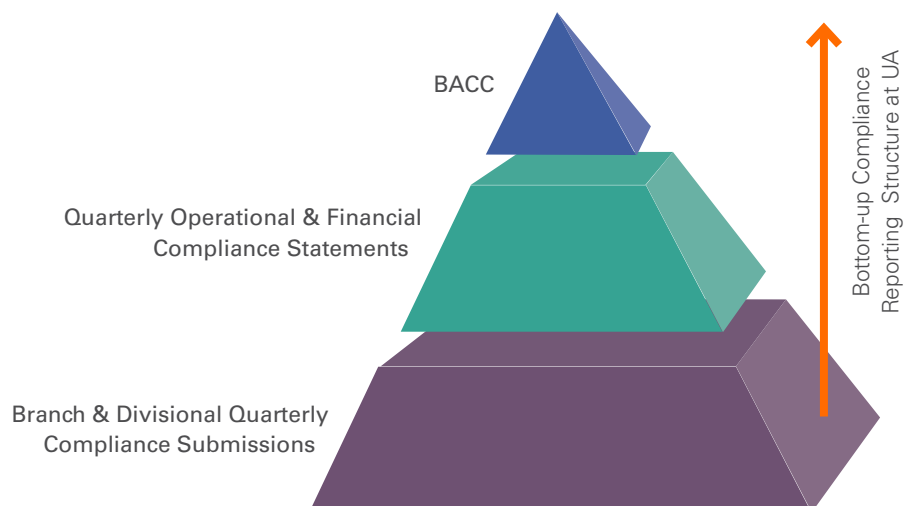
Compliance Assurance is derived through a bottom-up sign-off process. Compliance check-lists at branch and divisional level signed are based on internal policies and procedure manuals covering financial controls, regulatory compliance and operational compliance.

The financial and operational compliance statements for the Company are signed off and submitted to the BACC on a quarterly basis, and consequently reported to the JKH Group Audit and Compliance Committee. Regulatory sign-off is maintained on a monthly basis.

The Audit, Risk and Compliance division closely oversees the bottom-up compliance process of the Company and reports on the same to the BACC.

Further, the susceptibility of business processes to misappropriation and fraud is reviewed as part of the Internal Audit scope. The External Auditors too perform an evaluation of the Company's processes, to assess the possibility of manipulation, falsification and alteration of accounting records. The Company adopts a Zero-Tolerance Policy in cases of fraud and misappropriation.

CORPORATE GOVERNANCE



As a responsible corporate citizen, we govern our interactions with business partners by enforcing stringent guidelines outlined in the selection criteria, dispute resolution mechanisms, and compliance criteria.

The Company has also enacted a Code of Conduct for the Insurance Agents who function as independent contractors, outlining their responsibility, commitment, and the required to serve our customers.

The Code of Conduct entails conformance to all policies, including policies on gifts, entertainment, and facilitation payments, among others;

- ⊙ Anti-bribery controls to prevent payments and contributions from being made with the intent of obtaining an improper business benefit from any party, including, but not limited to, clients, service providers, customers, business associates, and political parties.

- ⊙ Controls on gifting and offering favours. Giving or accepting gifts or offering favours in any form, including from clients, service providers, customers, business associates, political parties, and any other stakeholder we engage with in the course of carrying out duties in our professional capacity, is prohibited if a 'reasonable person' could conclude that such gifts or favours could directly or indirectly affect one's independence in decision-making and conduct as an employee, and/or if it could be seen by others as a conflict of interest. The 'reasonable person' test should also be applied in respect of charitable donations and sponsorships (financial or in-kind) that are made in decision-making and conduct as an employee, and/or if it could be seen by others as a conflict of interest. The 'reasonable person' test should also be applied in respect of charitable donations and sponsorships (financial or in-kind) that are made.

ii. Employee Participation in Assurance

While an Open-Door Policy is maintained, formal channels such as exit interviews, employee surveys, skip level meetings and a Whistleblower Policy provide opportunities to employees to report in good faith, any genuine suspicions of wrongdoing or other improprieties. The policies and practices provide for anonymity and protection of the reporting employee.

iii. Financial Resource Management

The Board has delegated certain Financial Authority to the CEO and Divisional Heads, through a comprehensively documented Manual of Financial Authority (MOFA). The MOFA indicates clearly the authority and responsibilities of employees who enter into financial transactions and commitments on behalf of the Company, including persons responsible for recommendation, approval and payment. MOFA is updated periodically in line with changes in the organisation structure and operating environment

iv. Fraud Risk Assessment and Internal Audits

The Company has set up a separate unit to manage customer complaints channelled through the Customer Complaints

Management System. A well-structured process has been set up to handle customer complaints, as well as to detect fraud risks related to customer premiums. A summary of all complaints and their resolution status is reported to the BACC each quarter.

v. IT Governance

IT Governance is a subset discipline of Corporate Governance, focused on Information Technology (IT), its performance, resilience and risk management. It involves everyone across the organisation and plays a key role in maintaining a sustainable business model.

2.3 Code of Conduct & Ethics and Policies related to Anti-Bribery & Corruption, Anti-Fraud and Whistleblowing

Code of Conduct and Ethics

Our evolving culture is governed by the Code of Conduct and Ethical Frameworks of the Company, which articulate the impeccable standards and conduct expected of the Directors and Employees in discharging their official duties. The Code of Conduct is regularly reviewed and updated to ensure that it remains relevant to the rapidly evolving business environment.



- Each member has a thorough understanding of the content, scope, and importance of the policy

Whistleblowing Policy

A comprehensive Whistleblowing Policy is in place, allowing employees to report on concerns of illegal or dishonest fraudulent activity. The policy entails procedures to ensure confidentiality and is reviewed on an ongoing basis. The Company maintains anonymity and protects employees who raise concerns of malpractices of unethical behaviour. Such communication and feedback from employees are recorded by the Management, irrespective of the level of anonymity, and is then discussed and followed up on. The respective outcomes are duly recorded. In this regard, the Company aims to promote a healthy workplace that practices good governance at all levels of the organisation.

We will continue to foster an environment in which employees are engaged and involved in decision making by ensuring transparent communication. While an Open-door Policy is maintained, formal channels such as exit interviews, employee surveys, impartial grievance management, skip level meetings, and the Whistleblower Policy enable employees to report any genuine suspicions of wrongdoing or other improprieties in good faith.

2.4 Related Party Transactions and Conflicts of Interest

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

If a Director has a conflict of interest in a matter to be considered by the Board, and which the Board has determined to be material, such matters are disclosed and discussed at Board meetings where Independent Non-Executive Directors who have no material interest in the transaction, are present. Such potential

Anti-Fraud, Anti-Corruption and Anti-Bribery

The Company always endeavour to ensure that ethical business practices are in place, from all employees within each business unit, and has promulgated a zero-tolerance policy for corruption and bribery in its transactions, as well as any form of harassment or discrimination, and fosters transparency throughout the Company while adhering to core areas of the governance framework. The Code of Conduct, anti-fraud, fraud prevention, anti-corruption, anti-bribery, amongst many others, outline the principles to which the Company is committed in terms of preventing, reporting, and managing fraud and corruption.

Anti-fraud policy - It is our policy to consider that all forms of fraud, misconduct, and irregularity to be extremely serious and violate the Values. It includes inter-alia, theft, embezzlement, overriding controls, giving or receiving kickbacks, bribery, allowing oneself to be placed in situations

of conflict of interest, and making dishonest and reckless statements (financial or non-financial) contrary to the factual position. All suspected, alleged, and proven frauds will be thoroughly investigated, and any proven fraud will be subjected to appropriate disciplinary and legal actions. All cases of fraud will be reported to the Board Audit and Compliance Committee of the Company.

Anti-corruption & Bribery Policy - Employees are required to sign off on the policy and code of conduct periodically, ensuring that all employees are well-versed and updated on new developments pertaining to ethical behaviour.

The Anti-corruption Policy and procedures are based on the following guidelines;

- Each member of UA is individually responsible for establishing and maintaining a high standard of business conduct in compliance with the Anti-corruption practices specified by applicable laws and regulations.

CORPORATE GOVERNANCE

conflicts are subsequently reviewed by the Group Related Party Transactions Review Committee to ensure the integrity of the Board's independence, and that no Related Party benefits from favourable treatment

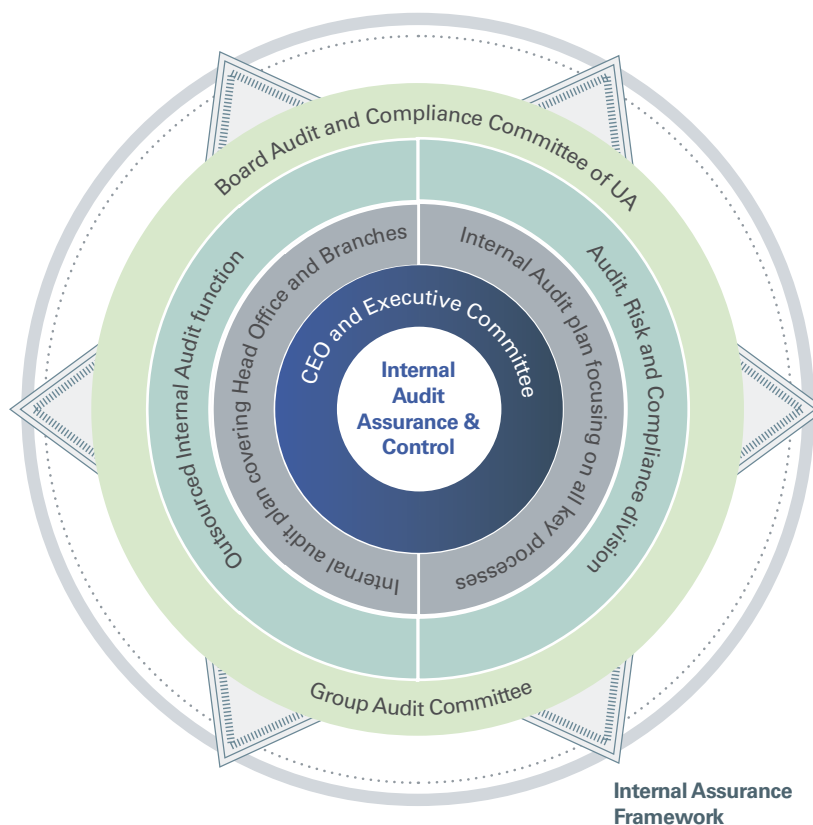
On the basis that the Parent Company is also a listed Company, the Securities and Exchange Commission of Sri Lanka (SEC), has permitted the Related Party Transactions Review Committee of the Parent Company to represent the listed Companies within the JKH Group, of which Union Assurance PLC is a member. The Related Party Transactions Review Committee report is given on pages 148 to 149.

2.5 Assurance by the Internal Auditors

The Internal Audit function of the Company has been outsourced to Messrs. Deloitte Partners. There are clear processes for monitoring and following up on corrective actions for control weaknesses or failures reported. These audit findings together with the Management responses are reviewed by the BACC and the Board. The reports are provided to the Group Finance Director and reviewed by the Group Audit Committee as well.

2.6 Assurance by the External Auditors

Messrs. KPMG, the Company's External Auditors performed an audit at the year end to obtain assurance that the internal controls and processes which are in place for the preparation and presentation of the Financial Statements are effective. This audit covered IT security and data assurance as well. The Board of Directors and Management do not have any relationship with KPMG, apart from their engagement as the Independent External Auditor of the Company



(C) Sustainable Business Model

3.0 Strategy and Performance

UA's continued success is underpinned by its unique business model, characterised by factors including a passion for innovation, a robust risk management system and inspired employees who actively exploit business opportunities while avoiding related threats. The Company integrates economic, social and environmental performance in creating stakeholder value.

3.1 Risk Management & Internal Control

The Board is responsible to safeguard Shareholder investments and assets of the Company, and therefore formulates and implements appropriate Risk Management Processes and Internal Control Systems.

A detailed overview of the process is outlined on pages 174 to 184 of this report, under the Enterprise Risk Management section.

Through the BACC, the Board assesses the adequacy and effectiveness of Internal Control Systems at UA, and is satisfied that adequate controls and procedures are in place to provide reasonable assurance to the effect that Company's assets are being safeguarded. Refer pages 144 to 147 for the BACC report.

3.2 Environmental, Social and Governance Factors (ESG)

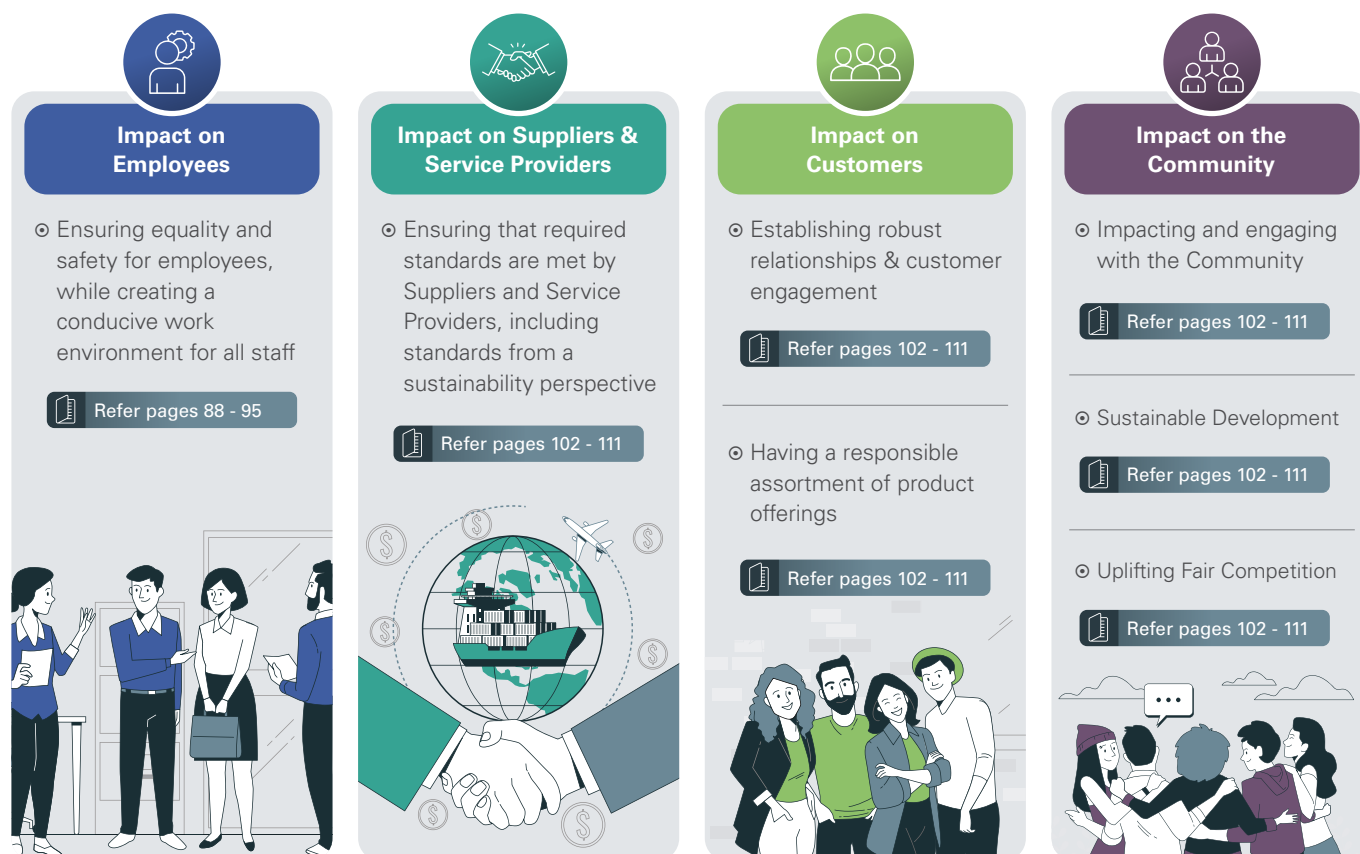
Environmental, Social and Governance factors are the central factors that set out the standard for operations at UA. We constantly measure and monitor the changes in our operating environment, which will have an impact on the ESG factors to ensure they are properly managed. ESG factors are explained in detail under Capital Management Review on pages 64 to 119.

Reporting on Environmental Sustainability

The Company is aware of its obligations to environmental sustainability, and has taken several measures to reduce its impact and avert detrimental effects on the environment. Further details are available under Natural Capital on pages 96 to 101.

Reporting on Social Sustainability

The Company considers the social impact of its activities on all its stakeholders, in an effort to be socially responsible and sustainable. The below diagram entails the aspects of Social Sustainability addressed by the Company, together with references to relevant Annual Report sections in this regard.



3.3 Succession Planning

Successor Development Plans: Jobs at risk and successors for these jobs are identified during the Career Committee meetings. Further, talents within us will be trained and developed over a period for future leadership in the organisation.

3.4 Business Continuity Planning

The Business Continuity Plan (BCP), is an essential element of UA's response planning. It sets out how the business will

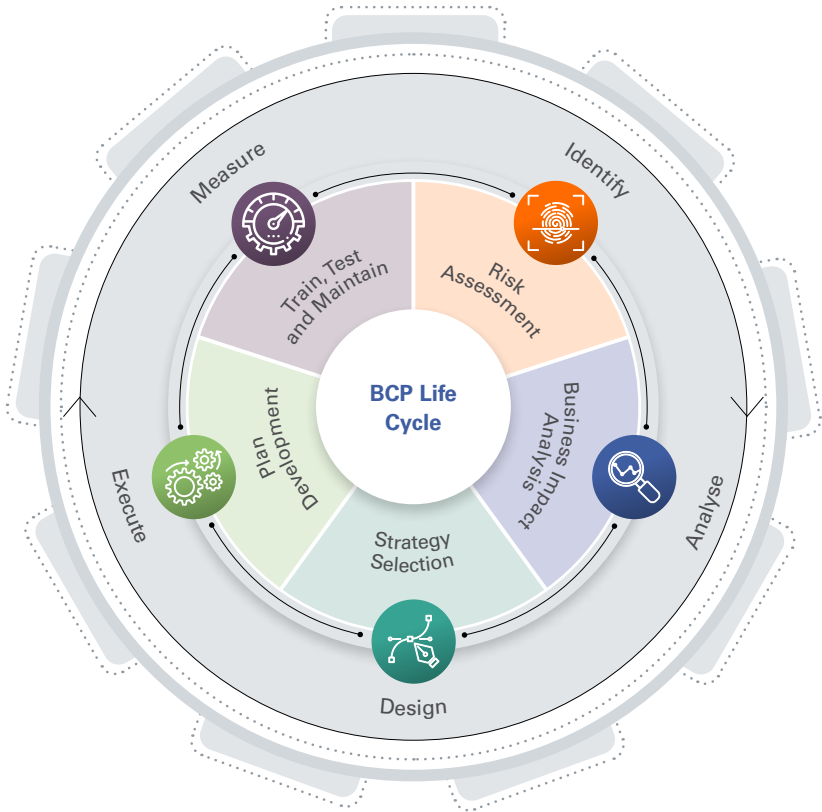
be resilient in the face of extreme events, how it will operate following an incident, and how it expects to return to 'business as usual' in the quickest possible time. The BCP is designed to be in compliance with the Disaster Recovery Institute International's professional practices, ISO 22301: 2019 International Standard and Business Continuity Guidelines of the Insurance Regulatory Commission of Sri Lanka.

To be in line with these requirements, during the year we conducted a series of interventions which included;

- Review Risk Assessment, Business Impact Analysis and Recovery Objectives,
- A review of the Business Continuity Plan covering all functions,
- A round of desktop drills and call tree drills and
- Simulated drills and IT systems recovery

CORPORATE GOVERNANCE

The desktop drills were performed by each Division and were designed to assess the organisation’s capability to support its time-critical processes, for a prolonged outage of its ‘Line of Business Applications’. Subsequently, simulated drills were carried out targeting the line of business applications round, which covered IT recovery and business units’ operations focusing on prolonged outages. The drills conducted also included desktop and simulated drills, covering crisis communications. BCP review covered two cycles. Cycle one conducted an in-depth revisit of the business continuity management system, and a second cycle was carried out to verify the adaptability of the system to the changing external factors. Interventions planned by the organisation also incorporated a second review of the BCP documentation and a round of simulated drills.



3.5 IT Governance and Cyber Security

IT Governance plays a critical role in creating a sustainable business model, by assuring confidentiality, integrity and availability of information within the Company. The core areas of IT governance at UA are as follows.

 Alignment with Business	Continuous reviews ensure that IT objectives are aligned with business objectives, by defining them in business terms. IT policies were updated to align with the CIS Critical Security Controls, ISO27001 Information security management system controls, and zero trust framework to safeguard the information assets.
 IT Risk Management	Focuses on IT risks based on the severity of impact and probability of occurrence. Risk management processes are designed to identify, analyse, evaluate and implement controls to effectively manage them, as well as techniques for minimising risk exposure and embedding risk management responsibilities into the organisation.
 Resource & Performance Measurement	Necessary emphasis is placed on monitoring strategic implementations, project completion, resource utilisation, results of disaster recovery/Business Continuity Plan tests and service delivery. It includes people, processes and technologies for improving the efficiency and effectiveness of business solutions. Further, tracking mechanisms for security-related events and the use of security dashboards are also included.
 Value Delivery	Ensure optimal investment in support of corporate objectives, with the availability of proper controls including well defined policies and Key Result Areas (KRAs), for the management of critical resources and people.
 Integration	Involvement of all corporate stakeholders in the decision-making process is ensured by seamless integration with assurance activities. This is done by enabling the processes to operate as intended from end-to-end, while minimising hidden risks.



Compliance

Regulatory and compliance requirements are embedded to the IT policies and manage through the implementation of appropriate IT controls in systems and conducting periodic reviews of the same to ensure effectiveness. Implemented ISO 27001:2013 information security management system controls, and most of the CIS (Centre of Internet Security) cyber security controls to safeguard the IT assets and ensure confidentiality, integrity and availability of information.

Cyber Security

Within our IT Governance, managing Cyber Security Risk is of significant importance given the pervasive and ever-expanding threat of Cybercrime.

The Board places significant emphasis on ensuring that UA's soft and hard infrastructure is adequate to counter any potential breach. Data protection and Cyber Security are regularly addressed during the BACC.

UA is amongst the few Banking, Financial Services and Insurance Companies with ISO 27001:2013 certification in Sri Lanka, which assures the security of information assets i.e., all business information, customer data, financial information, intellectual property, employee details and information entrusted by third parties. Given the escalation in Cyber Risk, UA has established a Cyber Security policy in line with the JKH Group and has implemented managed Security Operations Centre (SOC) security intelligence platform, to further strengthen Cyber Resilience. UA has further strengthened Cyber Security and remote working infrastructure by implementing a state-of-the-art Zero Trust platform, encompassing Secure Web Gateway, Advanced Threat Protection, Data Leak Prevention and Zero Trust Network access to protect corporate data from unauthorised access. Further, UA is in the process of implementing a Centre for Internet Security (CIS) framework to calibrate IT services and products, thereby ensuring the highest standards of Cyber Security.

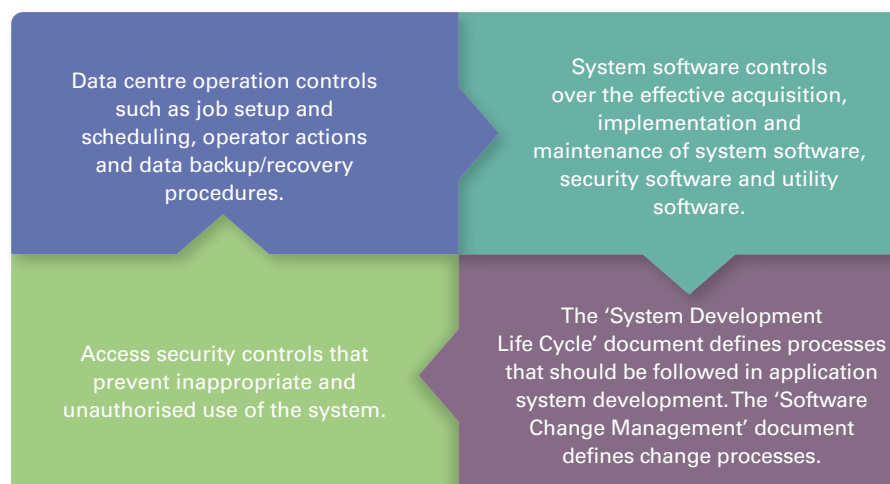
During the year, ISO 27001:2013 recertification audit has been successfully completed and CIS controls have been implemented up to Implementation Group level 2 (IG2). Further, we are in the process of upgrading ISO 27001:2022 and adopt ISO 27701 privacy management system.

Centre for Internet Security (CIS) Controls



3.6 IT Controls Over Financial Reporting

The reliability of financial reporting is heavily dependent on a well-controlled IT environment. Therefore, the following IT controls over financial reporting are in place to ensure the quality of information used for financial reporting;



CORPORATE GOVERNANCE

3.7 Innovation

Operating in a dynamic business landscape characterised by digital technology that shapes customer experiences, challenging market conditions and increasing regulations, UA continues to adapt and innovate to remain ahead of the competition. Please refer pages 112 to 119 under Intellectual Capital, for corporate initiatives on driving innovation.

3.8 Inspired Employees

Our employees play a pivotal role in achieving the goals, objectives and long-term strategies of the business. Pages 88 to 95 Human Capital on Capital Management Review describe UA's systems and practices that inspire our employees to reach greater heights.

(D) Balancing Stakeholder Interests

4.0 Stakeholder Relations

UA's governance framework ensures that the Company pursues its strategic goals, while balancing stakeholder interests.

4.1 Stakeholder Engagement

The Company has robust procedures in place to engage with various stakeholders. Adoption of charters for key stakeholders.

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



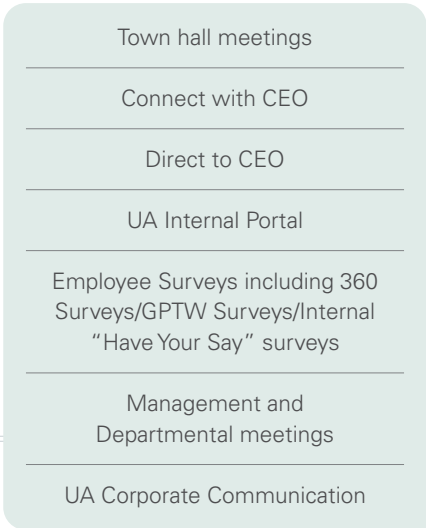
Charters



4.2 Communication Channels

Employee Communications

UA adopts a number of effective communications channels to ensure every employee is aware of its strategic direction, policies and procedures, high standards expected, and the corporate values each must display in their day-to-day interactions with external and internal stakeholders.



Shareholder Communications

UA uses the following communication channels to disseminate timely information during the year;

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

Shareholders may also contact;

- ☉ The Chief Executive Officer, Union Assurance Centre, 20, St. Michael's Road, Colombo 3, Sri Lanka.
- ☉ The Chairperson, Union Assurance PLC, 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02.
- ☉ Investor relations Hotline on 011-2990314 or email to investorrelations@unionassurance.com

4.3 The Annual General Meeting (AGM)

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

SHAREHOLDERVOTING - All Shareholders are encouraged to participate at general meetings and cast their votes. Each matter is proposed as a separate resolution at the AGM. Proxy forms are sent along with the Annual Report to Shareholders who are unable to be physically present at the AGM, to cast their votes.

Highlights of the 36th Annual General Meeting Held on 30 March 2023

- Mr. D. P. Gamlath who retired in terms of Article 84 of the Articles of Association of the Company was re-elected as a Director of the Company.
- Mr. D. H. Fernando who retired in terms of Article 84 of the Articles of Association of the Company was re-elected as a Director of the Company.
- Re-appointment of Auditors Messrs. KPMG, Chartered Accountants, as the External Auditors of the Company.

4.4 Annual and Interim Reports

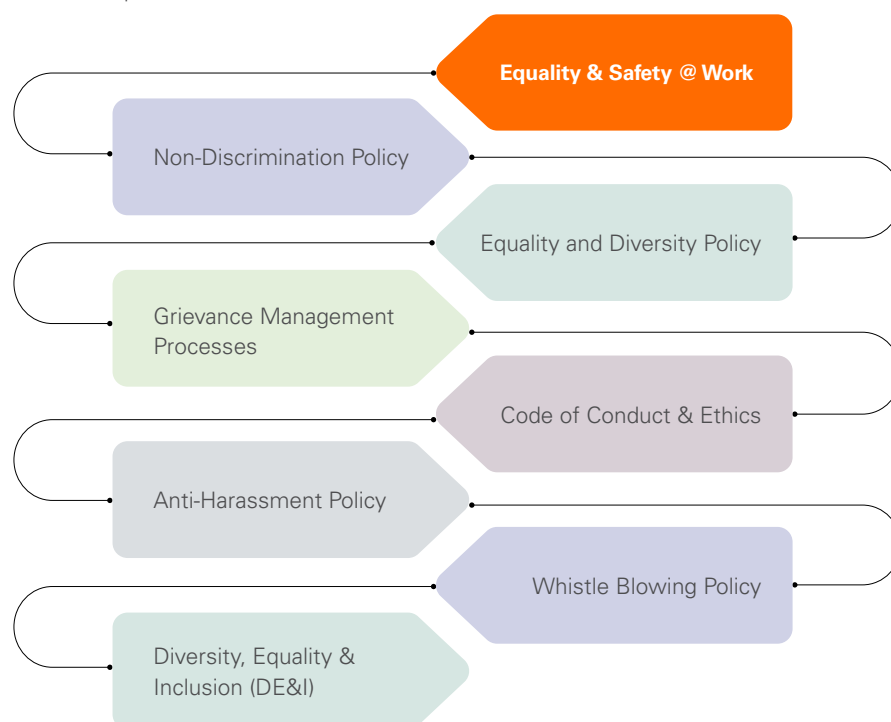
These comprehensive reports contain sufficient information for investors and other stakeholders to carry out their own analysis, and make informed judgements regarding the performance and position of the Company. The Board of Directors take reasonable steps in ensuring that all Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) issued by CA Sri Lanka, the requirements of the CSE and other applicable authorities. Information contained in the Financial Statements of this Annual Report are supplemented by a detailed discussion and analysis, which explains to stakeholders the strategic, operational, investment, sustainability and risk related aspects of the Company, and the means by which value is created and is likely to influence future results.

4.5 Gender Parity

UA appreciates the positive impact on productivity and competitiveness in engaging a gender diverse workforce. The Company has adopted policies that ensure equal opportunity, a safe workplace and

has implemented practices that support female employees to fulfil their career aspirations. The success of these initiatives is demonstrated in the female representation of 51% of the workforce. Please refer the Human Capital report on pages 88 to 95 for policies, practices and gender representative data. Furthermore, female representation on the Executive Committee stands at 22%.

Our HR policies and processes seek to provide equal opportunity and a safe environment in the workplace



External Governance Structure

External mechanisms are often imposed on the Company by external stakeholders in the form of relevant laws, contracts, regulatory guidelines or best practices. The Company is governed by mandatory rules and regulations, and voluntary adoption of codes of best practice.

(E) Compliance

5.0 Regulatory Framework

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

5.1 Compliance Framework and Self-Regulation Check-lists

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

CORPORATE GOVERNANCE

5.2 Statutory and Regulatory Compliance

Requirement	Compliance
As required by the IRCSL, the Company submits compliance Certificates (A) and (B) to IRCSL on a quarterly basis signed off by the Chief Executive Officer (in his capacity as the Company's Principal Officer (PO) and the CFO on behalf of the Board of Directors of the Company.	Compliance Certificate A - Certifies that the Company has; - Complied with all provisions in the Regulation of Insurance Industry (RII) Act No.43 of 2000, rules, regulations, determinations, directions issued by IRCSL; Complied with all orders made by the Ministry of Finance and Planning under the RII Act No.43 of 2000, - Complied with terms and conditions pertaining to re-insurance placements issued by IRCSL in terms of Section 31(1) of the RII Act No. 43 of 2000, - Complied with conditions pertaining to co-insurance issued by IRCSL and complied with all applicable circulars issued by IRCSL Compliance Certificate B - Certifies that the Company has; - Complied with all applicable provisions in the Financial Transactions Reporting Act No 6 of 2006 - Complied with rules on Know Your Customer (KYC) and Customer Due Diligence (CDD) for the Insurance Industry issued by the Financial Intelligence Unit established under the Financial Transactions Reporting Act No. 6 of 2006 - Complied with guidelines on Anti Money Laundering Programme for Insurers issued by IRCSL.
Compliance with Regulations governing Investments	The Life Fund is adequately backed by 'approved investments' as per Section 25 (1) of the RII Act and subsequent determinations.
Ability to Meet Policyholder Obligations	An Insurance Company's ability to meet its obligations to policyholders is measured by the Capital Adequacy Ratio (CAR). CAR reflects UA's Total Available Capital (TAC) as against Risk Capital required at a particular date. The CAR as of 31 December 2023 is 291% and the minimum regulatory requirement is 120%.
Actuarial Valuation of Insurance Liabilities	Life Insurance liabilities have been valued by an independent External Actuary in accordance with the RII Act. Refer Actuarial Report on page 193.
Re-Insurance Arrangements	The IRCSL has stipulated that Insurance Companies must enter into re-insurance arrangements with companies which at a minimum having a rating of BBB. As per details on page 101 all of our re-insurance arrangements are with companies that have been assigned a healthy credit rating by international rating agencies.
Capital Structure	As of 31 December 2023, the Company's stated capital of Rs. 1,000 Mn exceeds the minimum share capital requirement set by the IRCSL for a Life Insurance Company of Rs. 500 Mn.

Compliance Summary

Corporate governance framework for insurers issued by Insurance Regulatory Commission of Sri Lanka (IRCSL) under Section 96 (A) of the regulation of Insurance Industry Act No 43 of 2000

Requirement		Complied	Reference	Pages
A.	Recommended to adhere to the Code of Best Practice on Corporate Governance, 2017 (the Code), issued by the Institute of Chartered Accountants of Sri Lanka.	Compliant with 2017 Code, to the extent of business exigency and as required by the John Keells Group	Corporate Governance Report	122 to 166
B.	1. The Board must comprise a minimum of two Directors who are citizens of Sri Lanka and also residents of Sri Lanka.	Yes	Corporate Governance Report	138
	2. The total period of service of a Director other than an Executive Director, shall not exceed nine years (except major Shareholder Director and Technical Director), and such period in office shall be inclusive of the total period of service served by such Director.	Yes	Board of Directors	138
	3. (i) The age of a person who serves as Director shall not exceed 75 years.	Yes	Corporate Governance Report	138
	(ii) Notwithstanding above, a person who serves as a Director and is over 75 years or above as at 1st July 2019, such Director may continue to serve as a Director only until June 30, 2022, and shall be deemed to have vacated office on June 30, 2022.	N/A	N/A	N/A
	4. The Board must adhere to Section 7.10 of the Listing Rules of the Colombo Stock Exchange (or any amendments made thereto), pertaining to Corporate Governance.	Yes	Corporate Governance Report	169 to 170
	5. A person shall be disqualified to be a Director of an Insurer if such person is a Director of more than 20 companies inclusive of subsidiaries or associate companies of the insurer. Of such 20 companies, not more than 10 companies shall be those classified as Specified Business Entities in terms of the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.	Yes	Corporate Governance Report	142
	6. Insurers are required to demonstrate compliance with the IRCSL Direction No. 17 on Corporate Governance Framework for insurers by way of disclosure in their Annual Reports, including the disclosure requirements stated in 7.10 of the Listing Rules of the CSE.	Yes	Corporate Governance Report	167 and 169 to 170
	7. The Insurer shall rectify its non-compliance in respect of items B1 to 6 above within three months from the date of non-compliance and inform IRCSL immediately after 3 months.	N/A	N/A	N/A
	8. a) The Insurer should provide a certification from the Company Secretary to the IRCSL, that continuation of the relevant Director/s beyond the age of 70 years, has been duly approved by passing a resolution at a General Meeting in terms of Section 211 of the Companies Act No. 7 of 2007.	N/A	N/A	N/A
	b) The Insurer shall also provide a written confirmation from the Secretary to the IRCSL, that the continuation of a Director, beyond the age of 70 years, is not prohibited by the Articles of Association.	N/A	N/A	N/A

CORPORATE GOVERNANCE

Statement of compliance under Section 7.6 of the listing rules of the Colombo Stock Exchange (CSE) on Annual Report disclosure

Requirement	Complied	Reference	Pages
(i) Names of persons who during the financial year were Directors of the entity	Yes	Board of Directors	122 to 123
(ii) Principle activities of the entity and its subsidiaries during the year and any changes therein	Yes	Notes to the Financial Statements - Note 1	207
(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	Yes	Share Information	83
(iv) Public holding percentage	Yes	Share Information	82
(v) A statement of each Director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each financial year	Yes	Share Information	82
(vi) Information pertaining to material foreseeable risk factors of the Company	Yes	Enterprise Risk Management	174 to 184
(vii) Details of material issues pertaining to employees and industrial relations of the entity	Yes	Human Capital	88 to 95
(viii) Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties	Yes	Notes to the Financial Statements - Note 27.7	258
(ix) Number of shares representing the entity's stated capital	Yes	Notes to the Financial Statements - Note 36	277
(x) A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings in the given categories	Yes	Share Information	82
(xi) List of ratios and market price information	Yes	Share Information	79 to 81
(xii) Significant changes in the Company's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value as at end of the year	Yes	Notes to the Financial Statements - Note 27	255 to 259
(xiii) Detail of fund raised either through a public issue, Rights Issue, and private placement during the year	N/A	N/A	N/A
(xiv) Employee Share Option Schemes and employee Share Purchase Scheme	Yes	Notes to the Financial Statements - Note 40	279 to 281
(xv) Disclosures pertaining to Corporate Governance practices in terms of rules 7.10.3, 7.10.5 C, and 7.10.6 C of Section 7 of the Listing Rule.	Yes	Corporate Governance Section	169 to 170
(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. There were no material transactions during the year with related parties	Yes	Notes to the Financial Statements - Note 48	291

Statement of compliance under Section 7.10 of the continuing listing requirements of the Colombo Stock Exchange (CSE)

Requirement	Complied	Reference	Pages
7.10 Compliance with Corporate Governance Rules			
7.10.1 Non-Executive Directors (NED)			
(a) The Board of Directors of a Listed Entity shall include at least, - two NEDs; or - such number of NEDs equivalent to one-third of the total number of Directors, whichever is higher.	Yes	Board Composition	138
(b) The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting	Yes	Board Composition	138
(c) Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change	N/A	N/A	N/A
7.10.2 Independent Directors			
(a) Two or one-third of NEDs, whichever is higher, should be independent.	Yes	Board Composition	138
(b) The Board shall require each NED to submit signed declaration of independence/non-independence annually	Yes	Corporate Governance Report	141
7.10.3 Disclosures Relating to Directors			
(a) Names of Independent Directors should be disclosed in the Annual Report	Yes	Board of Directors	122 to 123
(b) In the event a Director does not qualify as independent as per the rules on Corporate Governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the Annual Report	N/A	N/A	N/A
(c) A brief resume of each Director should be published in the annual report including the areas of expertise	Yes	Board of Directors	122 to 123
(d) A brief resume of any new Director appointed to the Board should be provided to the Exchange for dissemination to the public	Yes	Corporate Governance Report	122 to 123
7.10.4 Criteria for Defining Independence			
(a to h) Requirements for meeting the criteria to be an Independent Director	Yes	Corporate Governance	141
7.10.5 Human Resources and Compensation Committee (HRCC)			
A Listed Entity shall have a HRCC	Yes	HRCC Report	149
(a) The remuneration Committee shall comprise of NEDs a majority of whom shall be independent	Yes	HRCC Report	149
(b) Functions of the HRCC shall be to recommend the remuneration of the CEO and the Executive Directors	Yes	HRCC Report	149
(c) The Annual Report shall set out: The names of the Directors that comprise the HRCC.	Yes	HRCC Report	149
A Statement of Remuneration Policy. Aggregate remuneration paid to Executive and Non-Executive Directors.		Notes to the Financial Statements - Note 21	246
7.10.6 (A) Composition and role of the Audit Committee			
7.10.6 A listed Company shall have an Audit Committee	Yes	BACC Report	144 to 147
(a) The Audit Committee shall comprise Non-Executive Directors a majority of whom shall be independent	Yes	BACC Report	145
The Chairperson or one member of the Committee should be a member of a recognised professional accounting body		BACC Report	145

CORPORATE GOVERNANCE

Requirement	Complied	Reference	Pages
7.10.6 (B) Audit Committee - Functions			
(b) The functions of the Audit Committee shall include; Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards, Overseeing the compliance with financial reporting and information requirements as per laws and regulations, Overseeing the process to ensuring the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards, Assessing of the independence and performance of the External Auditors, and Make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors and to approve the remuneration and terms of engagement of the External Auditors.	Yes	BACC Report	145
(c) The Annual Report shall set out; the names of the Directors who comprise the Audit Committee The Audit Committee shall make a determination of the independence of the External Auditors and disclose the basis for such determination. A report by the Audit Committee setting-out the manner of compliance of the functions set out in above, during the period to which the annual report relates.	Yes	BACC Report	145

Statement of Compliance under Section 9.3.2 of the Listing Rules of the CSE on Corporate Governance

Requirement	Complied	Reference	Pages
(a) Details pertaining to Non-Recurrent Related Party Transactions	Yes	Notes to the Financial Statements - Note 48	291
(b) Details pertaining to Recurrent Related Party Transactions	Yes		
(c) Report of the Related Party Transactions Review Committee	Yes	RPTRC Report	148 to 149
(d) Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Yes	Annual Report of the Board of Directors on the affairs of the Company	189

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

Requirement	Complied	Reference	Pages
(a) Details pertaining to Non-Recurrent Related Party Transactions	Yes	Notes to the Financial Statements - Note 48	291
(b) Details pertaining to Recurrent Related Party Transactions	Yes		
(c) Report of the Related Party Transactions Review Committee	Yes	RPTRC Report	148 to 149
(d) Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Yes	Annual Report of the Board of Directors on the affairs of the Company	189

Content of the annual report as per Section 168 of the Companies Act No. 7 of 2007

Requirement		Complied	Reference	Pages
168 (1) (a)	The nature of the business together with any change thereof	Yes	Notes to the Financial Statements - Note 1 and Annual Report of the Board of Directors on the affairs of the Company	207 and 187
168 (1) (b)	Signed Financial Statements of the Company	Yes	Financial statements	200 to 298
168 (1) (c)	Auditors' Report on Financial Statements	Yes	Independent Auditors' Report	195 to 198
168 (1) (d)	Accounting policies and any changes therein	Yes	Notes to the Financial Statements and Annual Report of the Board of Directors on the affairs of the Company	213 to 214 and 187
168 (1) (e)	Particulars of the entries made in the Interests Register	Yes	Annual Report of the Board of Directors on the affairs of the Company	189
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company	Yes	Notes to the Financial Statements - Note 21	246
168 (1) (g)	Corporate donations made by the Company	Yes	Annual Report of the Board of Directors on the affairs of the Company	190
168 (1) (h)	Information on Directorate of the Company at the end of the accounting period	Yes	Board of Directors	122 to 123
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered	Yes	Notes to the Financial Statements - Note 21 and Annual Report of the Board of Directors on the affairs of the Company	246 and 187
168 (1) (j)	Auditors' relationship or any interest with the Company	Yes	BACC Report	146
168 (1) (k)	Acknowledgment of the contents of this Report and signatures on behalf of the Board	Yes	Annual Report of the Board of Directors on the affairs of the Company	187 to 191

Code of Best Practice on Corporate Governance (2017) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

Requirement		Complied	Reference	Pages
A. DIRECTORS				
A.1	Effective Board	Yes	Corporate Governance Report	138 to 139
A.1.1	Regular meetings	Yes	Corporate Governance Report	140
A.1.2	Role and responsibilities of the Board	Yes	Corporate Governance Report	139
A.1.3	Act in accordance with laws of the country. Obtain professional advice, when required.	Yes	Corporate Governance Report	190 and 142
A.1.4	Access to advice and services of Company Secretary	Yes	Corporate Governance Report	157
A.1.5	Independent judgement	Yes	Corporate Governance Report	141
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company	Yes	Corporate Governance Report	140
A.1.7	One-third of the Directors can call for a resolution	Yes	Corporate Governance Report	141
A.1.8	Board induction and training	Yes	Corporate Governance Report	142
A.2	Division of responsibilities between Chairperson and CEO	Yes	Corporate Governance Report	139 and 140
A.3	Chairperson's role in preserving good Corporate Governance	Yes	Corporate Governance Report	127

CORPORATE GOVERNANCE

Requirement		Complied	Reference	Pages
A.4	Availability of financial acumen	Yes	Corporate Governance Report	122 to 123
A.5	Board balance	Yes*	Corporate Governance Report	138
A.6	Supply of timely information	Yes	Corporate Governance Report	142
A.7	Appointments to the Board	Yes	Corporate Governance Report	141
A.8	Re-election	Yes	Corporate Governance Report	141
A.9	Appraisal of Board performance	Yes	Corporate Governance Report	142
A.10	Disclosure of information in respect of Directors	Yes	Board of Directors	122 to 123
A.11	Appraisal of the Chief Executive Officer (CEO)	Yes	Corporate Governance Report	142
B.				
B.1	Remuneration procedure	Yes	HRCC Report and Corporate Governance Report - under "fair remuneration"	149 and 142
B.2	The level and make up of remuneration	Yes	Corporate Governance Report	142
			Notes to the Financial Statements - Note 21	246
B.3	Disclosure of remuneration	Yes	Notes to the Financial Statements - Note 21	246
C.				
C.1	Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings	Yes	Notice of Meeting	330
			Corporate Governance Report	164 to 165
C.2	Communication with Shareholders	Yes	Corporate Governance Report	164
C.3	Major and material transactions	Yes	During the year, there were no major or material transactions, that required disclosure.	291
			Notes to the Financial Statements - Note 48	291
D.				
D.1	Financial and Business Reporting	Yes		
	Management Discussion and Analysis			36 to 65
	Annual Report of the Board of Directors			187 to 191
	Statement of Compliance			167 to 173
	Statement of Directors' Responsibility			194
	Statement of Going Concern of the Company is set out in the Statement of Directors' Responsibility			194 and 208
	Directors' Statement on Internal Control over Financial Reporting			150 to 151
	Independent Auditors' Report			195 to 198
	Managing Director's and Chief Financial Officer's Statement of Responsibility			192
	Related Party Transactions disclosure of the Statement of Compliance, Note 48 in the Financial Statements			291
	Process in place is described in the Report of the Related Party Transaction Review Committee			148 to 149

Requirement		Complied	Reference	Pages
D.2	Risk Management and Internal Control	Yes	Enterprise Risk Management	174 to 184
			BACC Report	144 to 147
			Directors Report on Internal Controls	150 to 151
D.3	Audit Committee	Yes	BACC Report	144 to 147
D.4	Related Party Transactions Review Committee	Yes	RPTRC Report	148 to 149
D.5	Code of Business Conduct and Ethics	Yes	Corporate Governance Report	158 to 159
D.6	Corporate Governance Disclosure	Yes	Corporate Governance Report	122 to 173
E. INSTITUTIONAL INVESTORS				
E.1	Shareholder Voting	Yes	Corporate Governance Report	164
E.2	Evaluation of Governance Disclosure	Yes	Stakeholders Relationship	24 to 26
	Institutional investors are kept apprised of the Company's governance practices through the Annual Report and new initiatives are highlighted at regular meetings to ensure that due weight-age is given to good Corporate Governance			
F.				
F.1	Investing/Divesting decisions	Yes	Stakeholder Engagement Communication	24 to 26
F.2	Shareholder voting	Yes	Corporate Governance Report	164
G.				
G	Internet of things and Cyber Security	Yes	Corporate Governance Report	162 to 163
H.				
H.1	Environment, Social and Governance (ESG) reporting	Yes	Management Discussion and Analysis	64 to 119
			Corporate Governance Report	161

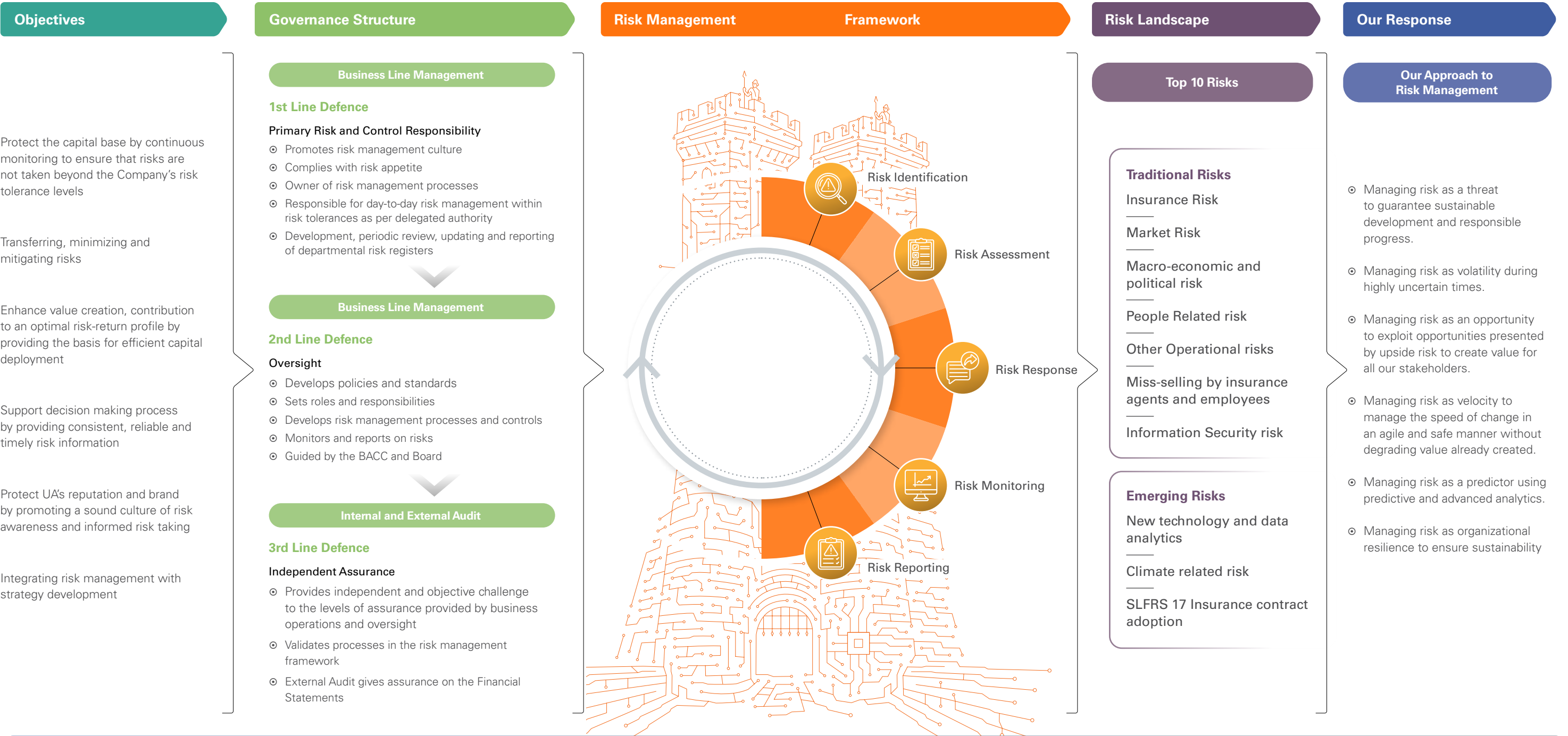
ENTERPRISE RISK MANAGEMENT

"Risk ready" Culture

UA believes the success of risk management lies on being proactive over the potential threats and opportunities consistently. Hence, a strong Risk ready culture, which involves risk aware attitudes, skills and values are embraced and inculcated among the individuals via communication and training.

Accountability

A key component of the risk culture is accountability. Every employee is responsible for managing risks in his/her working environment and is accountable for the implementation and oversight of risk policies.



Risk Appetite and Tolerance

The risk appetite and tolerance express the Company's willingness and capacity to take risks in pursuit of value creation and sets boundaries within which the business activities take place. UA protects its liquidity and solvency, capital, earnings, and reputation through the active monitoring of such risks being taken within the agreed risk appetite levels and tolerance limits.

The risk appetite acts as a common language and is embedded into day-to-day activities. The risk appetite can be used as a monitoring yardstick of the identified risk events.

ENTERPRISE RISK MANAGEMENT

Risk and Solvency Assessment

Capital Adequacy Ratio (CAR)

The Company endeavours to manage its capital to meet the local regulatory capital requirements and in addition the Company aims to hold an adequate buffer to absorb a level of volatility.

The CAR under the Risk Based Capital Regime measures adequacy of the Total Available Capital (TAC) against the Risk Capital Required (RCR).

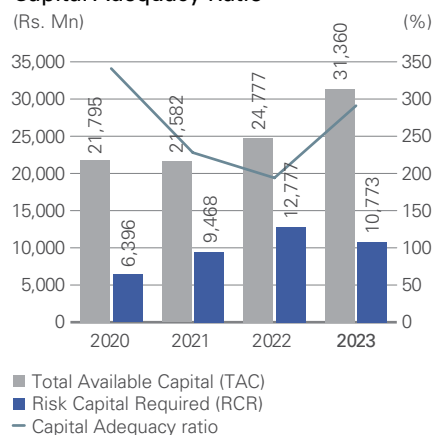
As per regulations, the minimum CAR is required to be consistently maintained in excess of 120%, with a significant margin above 160%, which is the level of regulatory interventions. In addition, the Insurance Regulatory Commission of Sri Lanka (IRCSL), stipulates a minimum Total Available Capital of Rs. 500 Mn.

In the opening months of the year, CAR was under pressure due to the increase in interest rates where as the CAR picked up in the latter part given the decline in interest rates. Yet, UA maintained a healthy CAR in excess of 120%, with a significant margin on a consistent basis during the years. The Company evaluates sensitivities and stress testing on the Capital Adequacy Ratio and assesses results relative to UA risk appetite and tolerance.

Capital Adequacy Ratio

291%

Capital Adequacy Ratio



The table below shows the estimated impact on the Company's CAR under two scenarios.

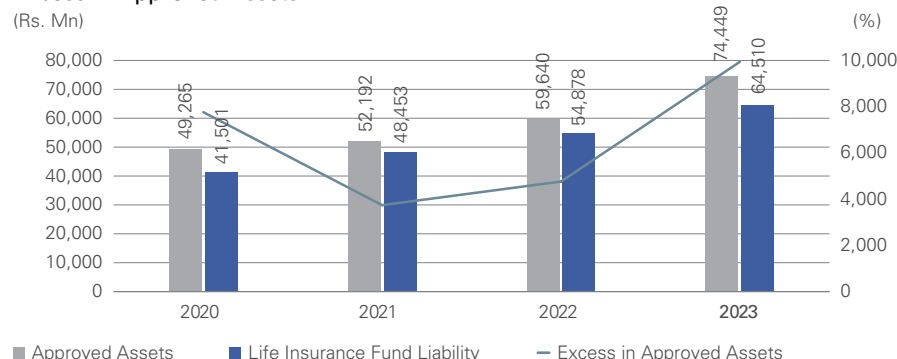
Objectives	Base case	One percentage point increase in the yield curve 2023	One percentage points decrease in the yield curve 2023
Total Available Capital (TAC)	31,360,195	31,342,783	31,087,931
Formula Risk-based Capital Required (FRCR)	10,773,229	10,879,950	10,659,459
Surrender Value Capital Charge (SVCC)	-	-	-
Risk-based Capital Requirement (RCR)	10,773,229	10,879,950	10,659,459
Risk-based Capital Adequacy Ratio (CAR)	291 %	288 %	292 %

Excess in Admissible Assets

Every insurer carrying on a long-term insurance business shall invest the balance assets of the long-term Insurance fund (referred to in Section 38 of the Regulation of Insurance Industry Act No 43 of 2000), in certain types of investments (Admissible Assets), subject to limitations stipulated therein: the Admissible Assets have higher credit profiles which ensure that the Life Fund is secured.

As indicated in the graph, UA has maintained a significant excess in Approved Assets over the years.

Excess in Approved Assets



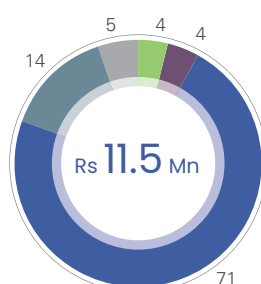
Total Risk Capital by Risk Type

The chart below shows the total risk capital, split by risk type as of 31 December 2023 and 31 December 2022. The largest proportion of UA Risk Capital requirement in 2023 arose from market risk which comprised 68% of the total in 2023. Liability risk was the second largest, consisting of 16% of total risk.

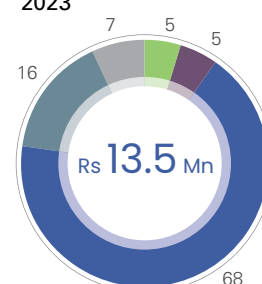
The total risk capital charge was impacted due to higher market risk capital charge as a result of the increased in interest rates. Concentration risk capital charge increased as a result of the increase in other receivables in inadmissible assets.

Total Risk Capital

2022 (%)



2023



Enterprise Risk Management Process

01. Risk Identification

The first step of the Risk management process is Risk Identification. A risk event is identified as any event with a certain degree of uncertainty, which if occurs may affect the Company from achieving its goals and objectives. Different types of risks may incur from various sources.

Through the process of risk identification, management can address the underlying causes of these risks and implement safety or mitigation measures in such affected areas. Risk can be identified through,



Periodic Risk Assessments



Direct Observations of Independent Audits



Brainstorming



Scenario Planning and Sensitivity Analysis

02. Risk Assessment and Rating

The framework allows UA to assess risks in terms of severity and likelihood and supports the definition and implementation of mitigating actions. At Company level, this is a quarterly process, followed by regular reviews and updated by the Board.

While the impact of the incident is evaluated by calculating the loss it would cause and the magnitude of the harm, the likelihood of it happening is evaluated based on prior experience and the preventative measures in place.

Each risk identified, based on the likelihood of occurrence, is rated as "remote to occur", "unlikely", "possible", "likely" and "almost certain to occur". Whereas the impact if occurred is rated as "insignificant impact", "minor", "moderate", "major" and "catastrophic". Based on the combination of the above two factors, the overall risk rate for each risk will be rated as "Insignificant", "low", "medium", "high" and "ultra-high".

These risks once rated according to the above are plotted on the traffic light matrix.

03. Risk Mitigation / Response

Once the risks are identified, measured and ranked, it is the responsibility of the department and senior management to action measures to control the risks. Risk mitigation can be three-fold,

Prevention – Measures an actions taken in advance to prevent the risk.

Detection – Actions to detect the risk.

Correction – Corrective actions are taken once the risks are detected after occurrence and prevent re-occurrence.

Based on the risk prioritisation through risk rating, the management has the option of accepting the risk at instances where the risk impact and likelihood is low and has a low rating, transfer risks to third parties which has a high impact yet occurs rarely, reduce the risks through internal controls, policies and procedure at instances where the risk impact is low but occurs regularly and high impact risks which occur regularly can be avoided.

04. Risk Monitoring and Control

UA follows a continuous risk monitoring process to ensure the completeness of the ERM framework. Once the risk responses are implemented, the risk owners along with the 2nd line of defence will review the effectiveness of the internal controls implemented and if any new risks are arising. The Board oversees business and strategic risk through review and approval of the business and strategic plans, and regularly discusses key themes, issues and risks emerging in connection with the design or implementation of these plans.

05. Risk Report of the Company

Through the risk management process, the risks pertaining to the Company's activities are identified, evaluated, and quarterly reviewed through the risk register by the BACC. This facilitates the management's ability to provide high-risk occurrences targeted attention and guarantee that corresponding mitigation action plans are accessible.

Impact / Severity	5	Catastrophic / Extreme Impact	5	10	15	20	25		
	4	Major / Very High Impact	4	8	12	16	20		
	3	Moderate / High Impact	3	6	9	12	15		
	2	Minor Impact	2	4	6	8	10		
	1	Low Insignificant Impact	1	2	3	4	5		
			Rare / Remote to occur	Unlikely to occur	Possible to occur	Likely to occur	Almost certain to occur		
			1	2	3	4	5		
Occurrence / Likelihood									
1 - 2	Insignificant	3 - 6	Low	7 - 9	Medium	10 - 12	High	13 - 25	Ultra High

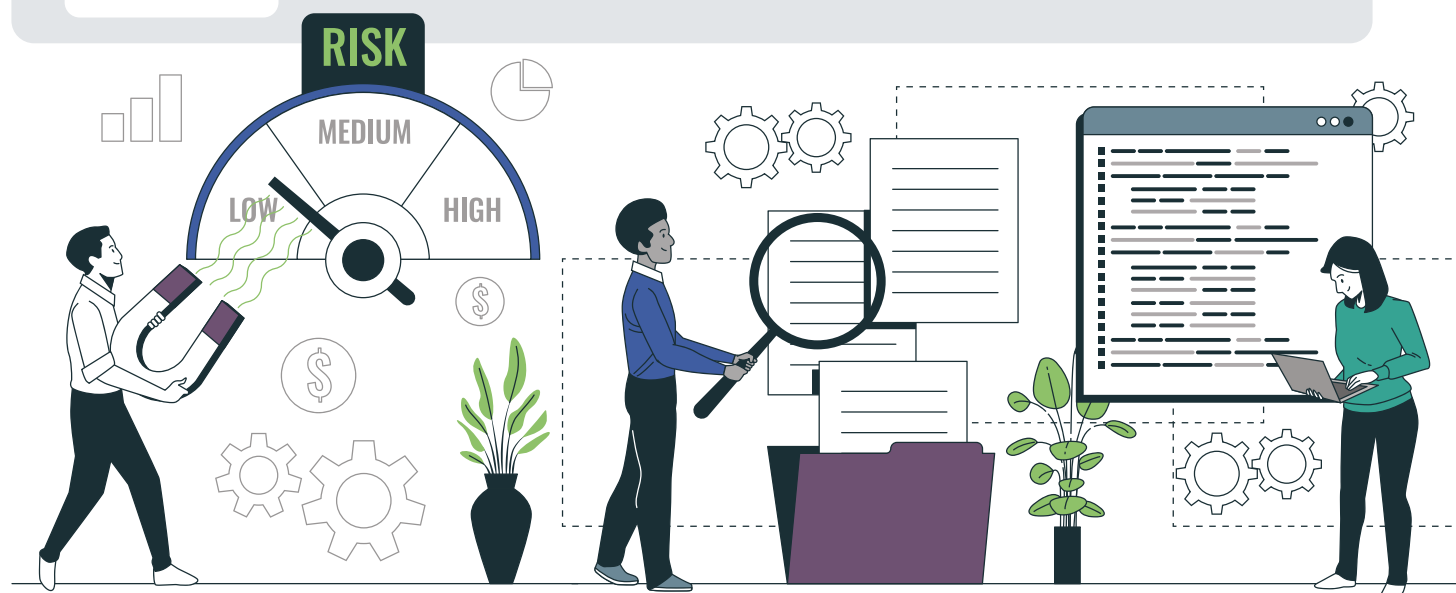
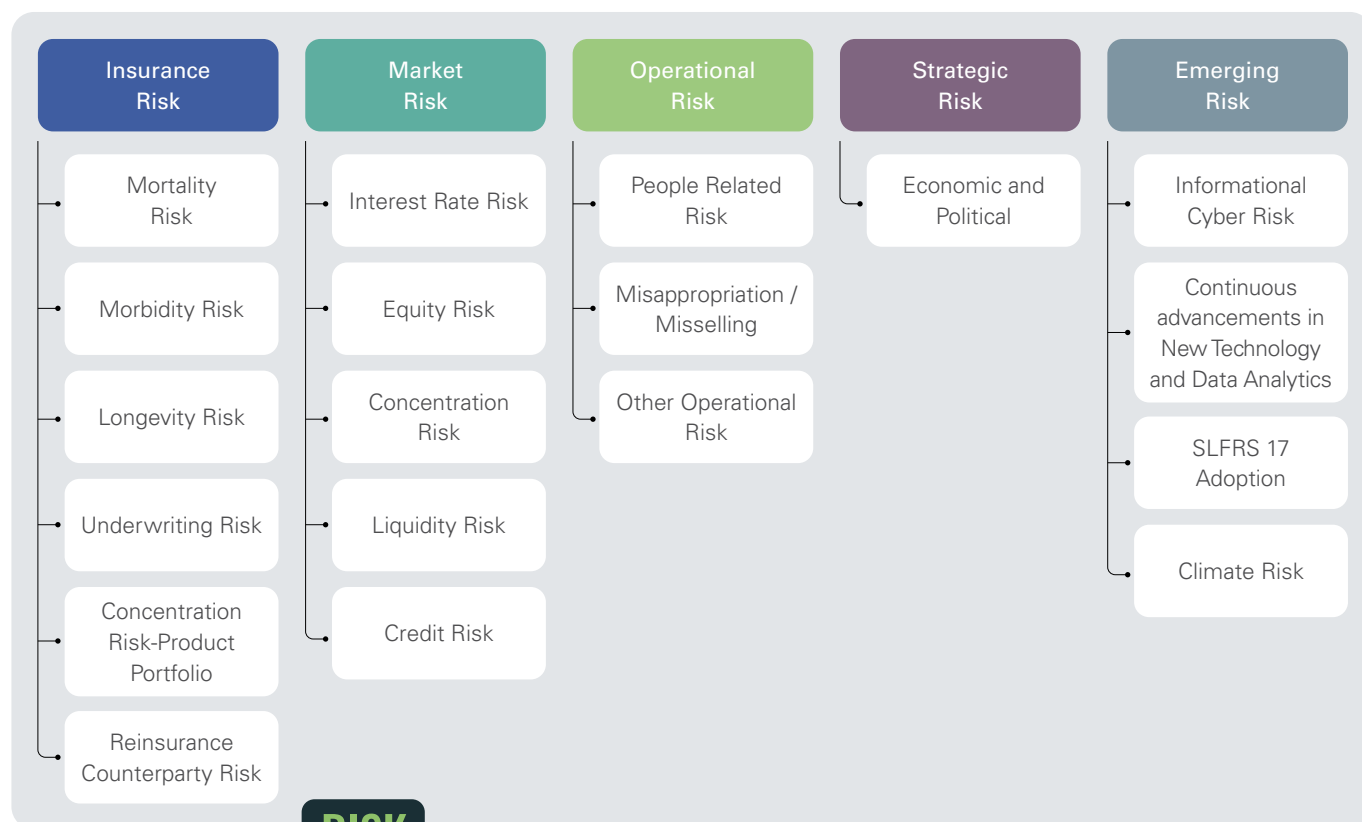
ENTERPRISE RISK MANAGEMENT

Risk Landscape

UA takes measures to identify all possible future risks proactively to systematically manage them. The risk directory laid below will provide an overview of all risks and opportunities identified and what response strategies are implemented to reduce/mitigate risks and to improve the overall business standing and performance.

Our extensive risk landscape can further be categorised as traditional and emerging risks.

Apart from the traditional risks connected with insurance, such as mortality, morbidity, underwriting risk, there are also a number of newly emerging risks that are becoming more significant and changing with time. These include reputational, cyber security and climate risk the effects of which have not yet shown a discernible impact. But we continue to be aware of their possible effects and continuously search local and global settings for underlying issues that might have an impact on value creation



Risk					Rating	Risk Mitigation	
Mortality Risk Risk of loss arising due to policyholders’ death experience being different from expected					 Low	○ UA uses standard mortality tables with adjustments to reflect the expected accurate mortality and price products accordingly along with conducting regular stress analysis.	
As at 31 December Assumption	Change %	Impact on liabilities %		Impact on liabilities Rs. '000			
		2023	2022	2023			2022
Mortality	10	0.17	0.38	90,087			103,266
	-10	(0.17)	-0.39	(90,369)			(104,382)
Morbidity	10	0.29		160,152			
	-10	(0.29)		(160,194)			
Morbidity Risk Risk of loss arising due to policyholders’ health experience being different from expected					 Low	○ Assumptions are based on reinsurance tables, adjustments made when appropriate to reflect the Company's own risk experience and stress analysis is conducted to mitigate any discrepancies.	
Longevity Risk Risk which arises when annuitants live longer than anticipated on average					 Low		
Underwriting Risk The risk of incurring losses when actual experience deviates from UA's best estimate assumptions on mortality, morbidity, policyholder behaviour, claims and expenses used to price products and establish technical provisions					 Low		
Concentration Risk - Product Portfolio Risk of losses due to not maintaining a balanced product portfolio. Changes related to absolute level and trend development in assumptions are considered by Product category. For example, UA looks at the impact of an increase in morbidity rates for protection products or changes in the level and trend of longevity for annuity products. These analysis assist in understanding how sensitive the business is to changes in various assumptions and where there are benefits of having a diverse portfolio of risks and products.					 Low	○ Developing a proper product mix in line with Company strategy ○ Use of data analytics and big data to identify trending customers’ needs to cater through appropriate products ○ Stress analysis is carried out to check the sensitivity of the business mix within the products	
Reinsurance Counterparty Risk The inability or potential refusal of the reinsurer, to honour its obligations towards the ceding insurer. This is mainly measured using the credit rating of the Reinsurers.					 Low	○ Reviewing and analysing the adequacy of the reinsurance arrangements and reinsurance strategy based on the existing and potential risks. ○ We select reinsurers with a healthy credit rating from international rating agencies for all departments	

Market risk relates to the possibility of loss of value due to changes in financial market conditions. The Company is exposed to a range of financial risks through financial assets and financial liabilities.

Risk					Rating	Risk Mitigation
Interest Rate risk Risk of loss resulting from changes in interest rates, including changes in the shape of yield curves of instruments such as debt securities, reserves for insurance contracts, employee benefit plans, loans and receivables. Floating rate instruments expose the Company to cash flow fluctuations, whereas fixed interest rate instruments expose the Company to changes in fair values.					 Medium	◦ Interim guarantee on Advantage product to be based on low interest rate environment. ◦ Proactively evaluate and execute forward purchases to lock in future cash flows at favourable interest rates ◦ Discuss at the IC regarding how to manage volatility in market prices ◦ Monitoring and review by the IC of Company's strategic asset allocation, tactical boundaries and Company asset/liability exposure
Rs. Mn	Variable Interest Rate	Fixed Interest Rate	Non Interest Bearing	Total		
2023	689,887	73,899,519	8,123,290	82,712,696		
2022	643,598	60,113,793	2,960,435	63,717,826		
Equity Risk Risk of equity market price fluctuations affecting the bottom line of the Company.					 Medium	◦ Managing of Equity portfolio is outsourced to an external firm with expertise to ensure realised gains are capitalised and to protect the equity base from any possible mark to market losses
	Total Investment Portfolio (Mn)	Equity Portfolio (Mn)	%			
2023	83,419,773	4,349,278	5%			
2022	64,455,930	3,331,677	5%			
Concentration risk The risk of exposure to increased losses associated with inadequately diversified portfolios of assets or obligations.					 Low	◦ Focus on diversification of Insurance portfolio across regions. ◦ Maintaining a diversified portfolio of assets  Refer pages 221 - 222
Liquidity Risk The risk where the Company although solvent may not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so.					 Medium	◦ Weekly monitoring of cash flow ◦ Maintaining sufficient cash and cash equivalents and high-quality liquid investment portfolio ◦ Reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments when claim events exceed a certain size. ◦ Maintaining sufficient cash balances, overnight investments and other short tenure investments to accommodate expected obligations and commitments of the Company
 Refer pages 222 - 224						

Risk	Rating	Risk Mitigation
Credit Risk Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfil their financial obligations Credit Risk Concentration There is no unapproved material exposure in excess of the Company's limits for counterparty aggregation as of year-end. Credit Risk Related to Policy Loans and Others Analysis of maximum exposure to credit risk related to life policyholder loans. However, policy loans are collateralised by the surrender value of the policy  Refer pages 225 - 229	 Medium	⦿ Sources of credit risks are assessed and monitored, and the Company has policies to manage the specific risks within the various sub categories of credit risks. ⦿ Use of ratings assigned by external rating agencies to assess counterparty credit worthiness. ⦿ Active use of collateral to support credit risk.

Macro-economic and Political Instability Risk

Instability in the macro-economic and political environment poses significant risks to Union Assurance during the implementation of the Company strategy. Sluggish economic growth impact possible high policy lapsations, adverse impact on new business, renewals and mode-mix due to high inflation and lower disposable income are a few concerns.

Risk	Rating	Risk Mitigation
Instability in macro-economic & political environment, high inflation, and lower disposable income of end-consumer	 Medium	⦿ Regularly assess macro environmental factors and impact on business ⦿ Focused renewal campaign and the lapse prevention program for the agency channel ⦿ Stringent expense management and cost savings

Operational Risk

People related risk

One of the major risks, UA identified for the year is loss of experienced and critical staff. Inability to retain and acquire skilled staff may cause adverse impact on efficiency of operations and loss of competitive advantage.

Risk	Rating	Risk Mitigation
Loss of experienced and critical staff	 High	⦿ The Company attempts to mitigate this risk by encouraging continuous education, providing relevant training and development opportunities, and fostering a culture where all employees, regardless of rank, can actively contribute to the business. ⦿ Conduct market salary service to identify salary benchmarks and offer competitive remuneration to staff

ENTERPRISE RISK MANAGEMENT

Misappropriation / miss-selling by field and permanent staff

Insurance service provider approaches the customer through agents and digital mediums and lack of understanding and knowledge could result in possible miss-selling of insurance services to customers which will impact the Company's reputation, brand value and loss of customers.

Risk	Rating	Risk Mitigation
Misappropriation / miss-selling by field and permanent staff	 Medium	- Train staff to encourage need base selling skills to avoid any miss-selling through proper fact finding - Introducing alternative premium paying channels & raising awareness. - Welcome Call by customer service team to new customers to promptly identify any mis-selling. - Signed off the Code of Conduct by sales agents and staff

Other operational risks

Risk	Rating	Risk Mitigation
Business continuity risk The risk of occurrence of any detrimental events that would disrupt the operations of UA on a BAU basis. Fire risk, risk of breakdown of internal controls, terrorism attacks, prolonged power disruptions, shortage/scarcity of fuel and social unrest/riots and strikes were significant during the year	 Low	- Periodical review and training of internal controls and improvements - Test BCP on regular basis and constantly evaluate test scenarios and attempt to test likely / emerging scenarios.
Fraud and corruption Any frauds and corruption within the business will result in loss of revenue and will hinder the business reputation which has been built over the years.	 Medium	- Strict monitoring through MOFA control and segregation of duties and approval limits. - Active Company-wide whistle blowing policy - Periodical asset/stock verification and reconciliation with ledger details
Risk of ambiguity around tax assessments and appeals made Based on an interpretational dispute, IRD has raised income tax assessments for years of assessments 2010/11 to 2018/19 IRD has registered UA for Financial Services VAT retrospectively though the industry believes that they do not provide financial services (Scope for VAT on FS was expanded in VAT (amendment) Bill 2016). IRD has issued assessments on VAT liability for the period April 2018 to Sep 2019	 High	UA follows the due process with the assistance of the tax consultant, KPMG and external legal expert. Advice and guidance are sought from JKH legal and monitoring is continued for the income tax related concerns.

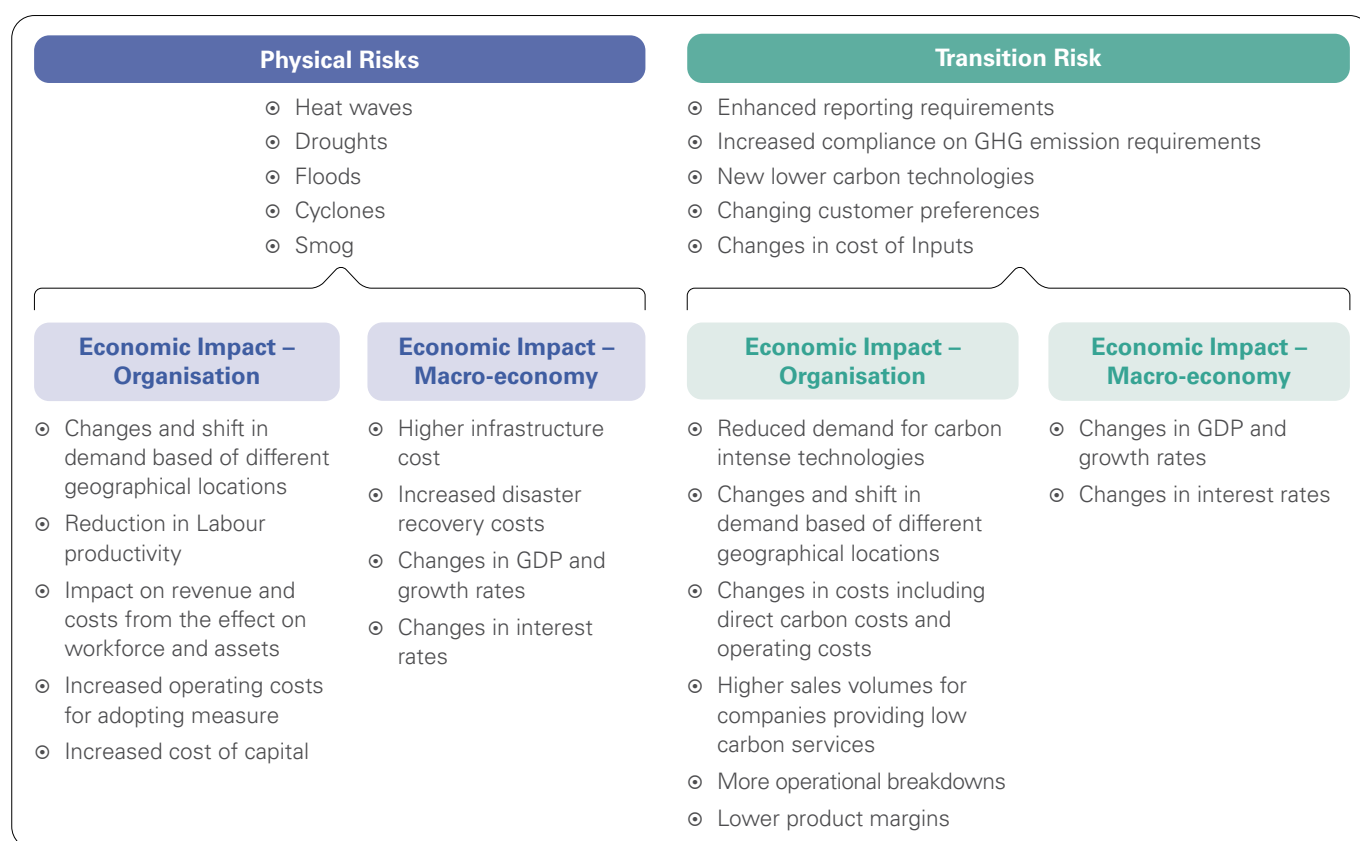
Emerging Risks

Risk	Rating	Risk Mitigation
Information and cyber security Risk Refers to the potential harm that can arise from unauthorised access, use, disclosure, disruption, modification, or destruction of information systems and the data they contain	 Low	- Procedures and controls are in place as per ISO27001:2013 standard. - Regular IT threat assessments, trainings on awareness, regular patches are conducted to identify and control IT related threats. - Conduct annual firewall and network infrastructure review to protect network attacks and virus guard protection for all computers.
Continuous advancements in New Technology and Data Analytics	 Low	We continue to develop our data analytics capabilities to enable improvements in the customer journey, our understanding of how customers interact with us and our underwriting disciplines.
SLFRS 17 Insurance contract adoption The adoption of SLFRS 17 is a data-intensive project that will have a significant impact on reporting and comparative figures. Once implemented, SLFRS 17 will have a significant impact on how the UA reports and manages its financial results and will require a restatement of equity	 Low	- Ensure adequate project management and governance, directed by the ExCo, with adequate oversight provided by the Board - Adequate resource allocation and subject related regular trainings - Expanded scope with progressive audit consultant to ensure financial requirements are met. - Appointment of a SLFRS 17 steering committee to overlook the activities and results carried out.
Climate related risk The potential negative impacts of Climate Change on an organisation Impact through Natural catastrophes, - Impact on business continuity - Legal, Regulatory Compliance & Privacy issues - Inaccessibility of customers to visit location to intimate claims, etc. - Inaccessibility of staff to service customers and perform duties	 Low	- Minimising activities with a high carbon footprint with low emission alternatives such as video conferencing, working from home, promoting hybrid and electrical car usage by employees - Offsetting residual emissions and effective disposal of waste. - Employee awareness on being vigilant about water, emission and waste management - Test BCP on regular basis and constantly evaluate test scenarios and attempt to test likely / emerging scenarios. - Encourage submission of digital insurance proposals (currently 100%). - Periodic BCP trainings & awareness for all departments

ENTERPRISE RISK MANAGEMENT

Integration of Climate related risks within the overall Risk Management Framework

The risks and opportunities associated with climate change affect our services and operations. Understanding, measuring and managing these impacts while seizing the opportunities that arise from building a climate neutral world is important to create sustainable value to our Stakeholders. We have identified that climate related risk is interrelated with other risks such as Market risk, Insurance risk and Natural catastrophe risk which we have already identified in our Risk landscape. UA's approach to manage climate related physical risks is embedded in our diverse risk management framework. In order to be resilient over the climate related risk through identifying, assessing, managing, monitoring and reporting on climate related risk, we have identified such risks in our risk rating parameters which assess the materiality of the risk by analysing the Impact and likelihood of occurrence of such risks. Further, it supports the implementation of mitigating actions.



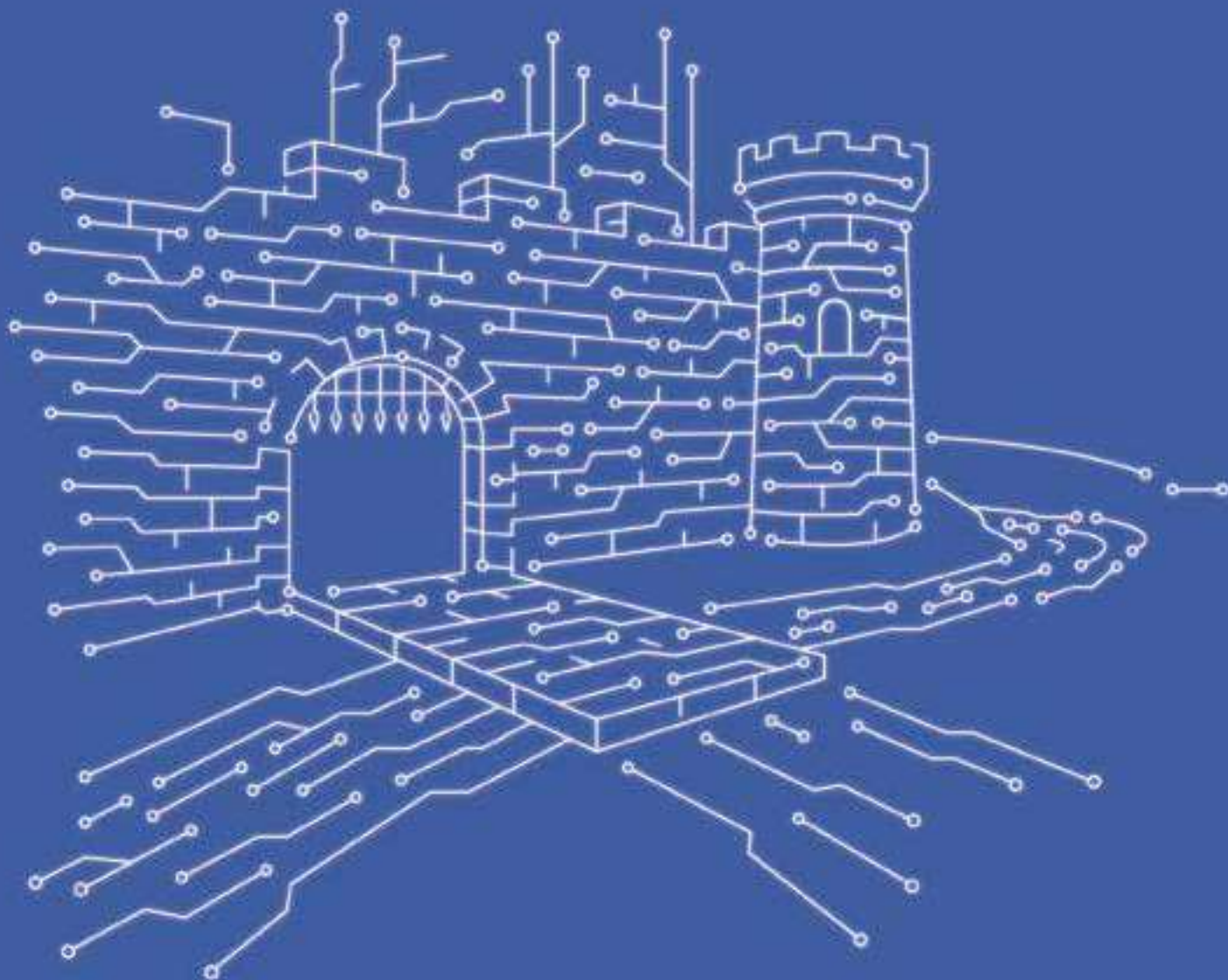
With the understanding on climate related risk types such as air pollution, greenhouse gas emissions, physical risks and transition risk, it is evident the policyholders have an impact on their health. Physical risks such as increased weather events (cyclones, hurricanes, smog and floods) have an high impact on Mortality, Morbidity and hospitalisation risk.

As a responsible corporate, it is our responsibility to provide a safety net to our policyholders and take initiatives to reduce/mitigate such climate risks. During the year, Union Assurance has taken efforts to invest in green investments. As a good practice, we have disclosed on our annual report climate related emissions in operations/products along with initial TCFD disclosures. We will also take measures to share knowledge with the wider population who are open to climate risks on prevention control and provide insurance cover in case of the risk materialising.

THE MOAT

Like the unmovable mighty Moat is Fortress' first line of defense, it's a simple and effective philosophy to display a sure sign of what lies within. The Company's Financial Statements stand as an undeniable sign of its consistent prosperity and pillars of success.

The following pages will flow like the Moat, to display Union Assurance PLC's deep waters of resilience.



FINANCIAL STATEMENTS

187 Annual Report of the Board of Directors | 192 Chief Executive Officer's and Chief Finance Officer's Responsibility Statement
193 Actuary's Report | 194 Statement of Directors' Responsibility | 195 Independent Auditor's Report | 199 Table of Contents
200 Income Statement | 201 Statement of Profit or Loss and Other Comprehensive Income | 202 Statement of Financial Position
203 Statement of Changes in Equity | 205 Statement of Cash Flows | 207 Notes to the Financial Statements

FINANCIAL CALENDAR

	2023	2024
37 Annual General Meeting to be held on	N/A	28-Mar-24
36 Annual General Meeting held on	30-Mar-23	N/A
The first and final dividends for the year 2022/2023 paid on	N/A	02-Apr-24
Audited financial statements of proceeding year authorized on	28-Feb-23	29-Feb-24
Interim financial statements will be published as per rule 7.4 of the Colombo Stock Exchange		
Interim results for the three months ended 31 March (Unaudited)	11-May-23	15-May-24
Interim results for the three months ended 30 June (Unaudited)	11-Aug-23	15-Aug-24
Interim results for the three months ended 30 September (Unaudited)	6-Nov-23	14-Nov-24
Interim results for the three months ended 31 December (Unaudited)	29-Feb-24	28-Feb-25

ANNUAL REPORT OF THE BOARD OF DIRECTORS

OVERVIEW

The Directors have pleasure in presenting the Annual Report of your Company together with the audited financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company, which is 'Life Insurance', remained unchanged during the financial year. The Company has not engaged in any activities, which contravene laws and relevant regulations.

VISION, MISSION AND CORPORATE CONDUCT

The corporate vision and mission are provided on page 12 of this report. In achieving its vision and mission, the Company has ensured that all Directors and employees conduct their activities in compliance with the highest level of ethical standards and integrity as set out in the Code of Conduct.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

A review of the financial and operational performance and future business developments of the Company is contained in the Reflection from our Chairperson, Reflection from our Chief Executive Officer and the Management Discussion and Analysis section of the Annual Report, as required under Section 168 (1) (a) of the Companies Act No. 07 of 2007 ('Companies Act'). These reports form an integral part of the report of the Directors and together with the audited financial statements reflect the state of affairs of the Company.

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The financial statements for the year ended 31 December 2023 have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs / LKASs) issued by the Institute of Chartered Accountants of Sri Lanka. The financial statements duly signed by the Directors are provided on pages 200 to 298 and the Auditor's Report on the financial statements is provided on pages 195 to 198 of this Annual Report.

Revenue

The total gross written premium generated by the Company for the year 2023 was Rs. 18,867 million (2022 – Rs. 16,675 million).

Provision for Taxation

The Company is liable to income tax at 30% in 2023 (2022 - 24% and 30% on 50%: 50% basis of taxable income) in terms of the Inland Revenue Act, No. 24 of 2017 and amendments thereto. The tax position of the Company is disclosed in Note 22 to the financial statements on page 246.

Profit and Appropriations

The net profit after tax of the Company was Rs. 3,758 million for the year (2022 - Rs. 2,747 million).

The total comprehensive income net of tax of the Company was Rs. 9,932 Mn (2022 - Rs. 45 Mn).

Dividends and Reserves

The Board of Directors has declared a first and final dividend of Rs. 8.75 per share on the 29 February 2024 for the year ended 31 December 2023, out of retained earnings (2022 – Nil). The dividend will be paid on or before 02 April 2024 to those shareholders on the register as of 12 March 2024. The Board of Directors has confirmed that the Company satisfies the solvency test in accordance with Section 56 of the Companies Act and has obtained a certificate from the auditors prior to declaring the dividend. The dividend is paid out of retained earnings of the Company.

CAPITAL EXPENDITURE

During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 67 million. The carrying value of property, plant and equipment as at 31 December 2023 was Rs. 3,006 million (2022 - Rs. 2,760 million). The details of property, plant and equipment are shown in Note 27 to the financial statements on page 255.

FINANCIAL RESULTS AND APPROPRIATIONS

A synopsis of the performance is presented below;

For the year ended 31 December Union Assurance PLC	2023 Rs. '000	2022 Rs. '000
Profit after tax	3,758,365	2,747,105
Balance brought forward from previous year	10,042,833	8,587,910
Profit available for appropriations	13,801,198	11,335,015
Appropriations		
Dividend paid for previous year	-	(1,296,429)
Transfer from revaluation reserve	4,246	4,247
Un-appropriated profit carried forward	13,805,444	10,042,833

Accounting Policies

Details of accounting policies are presented on Pages 207 to 298 to the financial statements and comply with Section 168 (1) (d) of the Companies Act. There have been no changes in the accounting policies adopted by the Company during the year under review other than those disclosed in note 5. For all periods up to and including the year ended 31 December 2023, the Company prepared its financial statements in accordance with the Sri Lanka Accounting Standards (SLFRSs / LKASs) which have materially converged with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

ANNUAL REPORT OF THE BOARD OF DIRECTORS

During the financial year, the Company acquired intangible assets to the aggregate value of Rs. 112 million. The carrying value of intangible assets was Rs. 1,131 million as at the reporting date (2022 - Rs. 1,311 million). The details of intangible assets are shown in Note 26 to the financial statements on page 253.

VALUATION OF LAND AND BUILDINGS

The land and building owned by the Company at No. 6, Rajapihilla Road, Kurunegala and at No. 20, St. Michael's Road, Colombo 03 were revalued as at 31 December 2023 to reflect its market value as per Company policy.

The revaluation was performed by Mr. P B Kalugalagedera and Associates, Independent Chartered Valuation Surveyor. The details of the revaluation and relevant accounting policies are provided in Note 27 to the financial statements on page 255.

INVESTMENTS

Details of investments held by the Company are disclosed in Note 30 to the financial statements on page 265.

STATED CAPITAL AND RESERVES

In compliance with the Companies Act, the financial statements reflect the stated capital of the Company. The stated capital is the total of all amounts received by the Company in respect of the issued share capital. The stated capital of the Company as at 31 December 2023 was Rs. 1,000 million (2022 - Rs. 1,000 million) and the total capital and reserves was Rs. 24,161 million (2022 - Rs. 14,214 million).

As explained in Note 39 on page 279, based on the directions issued by IRCSL dated 20 March 2018 and subsequent approval, the Company has transferred the one – off surplus of Rs. 3,382 million attributable to non-participating fund and non-unit fund of unit linked business from life policyholder fund to life shareholder fund (SHF) through Income Statement as at 31 December 2017. The distribution of this one – off

surplus to shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon receiving approval from the IRCSL. The one – off surplus in the SHF is invested in government debt securities as per the directions of the IRCSL.

SHARE INFORMATION

Information relating to earnings, dividends, net assets and market value per share is given in the UA share performance on pages 79 to 83 of this report.

SHARE HOLDING

There were 1,717 registered shareholders, holding ordinary voting shares as at 31 December 2023 (2022 – 1,805). The distribution of shareholding including the percentage held by the public is given on page 82 of this report.

SUBSTANTIAL SHAREHOLDINGS

The list of top twenty shareholders as at 31 December 2023 is given on page 83 of this report, together with comparative shareholding as at 31 December 2022.

EQUITABLE TREATMENT TO ALL SHAREHOLDERS

The Company has made every endeavor to ensure the equitable treatment of all shareholders and adopted adequate measures to prevent information asymmetry.

INFORMATION TO SHAREHOLDERS

The Board strives to be transparent and provide accurate information to shareholders in all published material. The quarterly financial information during the year has been sent to the Colombo Stock Exchange in a timely manner.

THE BOARD OF DIRECTORS

As at 31 December 2023 the Board of Directors of Union Assurance PLC consisted of Directors with diverse knowledge and experience. Brief profiles of the Directors are given in the Corporate Governance section on pages 122 to 123.

RESIGNATION AND APPOINTMENT OF DIRECTORS

Mr. W. M. De F. Arsakularatne resigned from the Board with effect from 06 March 2023.

Mr. P.T.Wanigasekara was appointed to the Board as an Independent Non-Executive Director with effect from 01 April 2023.

RETIREMENT AND RE-ELECTION / RE-APPOINTMENT OF DIRECTORS

Retirement and Re-Election of Directors of the Company as at 31 December 2023 are given in the Proxy Form.

RESPONSIBILITY OF THE BOARD

Details of responsibilities of the Board and the manner in which those responsibilities were discharged during the year are disclosed in the Corporate Governance section on page 138.

REVIEW OF PERFORMANCE OF THE BOARD

The performance of the Board has been appraised through a formalized process, where each individual Director anonymously comments on the dynamics of the Board.

BOARD COMMITTEES

The Board while assuming the overall responsibility and accountability in the management of the Company has also appointed Board committees to ensure control over certain affairs of the Company.

Details of the committees, their mandates and composition are provided in the Corporate Governance section on pages 143 to 150.

BOARD AUDIT AND COMPLIANCE COMMITTEE

The composition of the Board Audit and Compliance Committee comprising of Non-Executive Directors is provided on page 145. The Chief Executive Officer (CEO), other Executive Committee members and

internal and external auditors attend the meetings by invitation. The report of the Board Audit and Compliance Committee is provided on pages 144 to 147 of this report.

DIRECTORS' INTERESTS REGISTER

The Company, in compliance with the requirements of the Companies Act, maintains an Interests Register.

The particulars of the Company's interest register are given below.

a) Directors' Interests in Transactions

The Directors of the Company have made general disclosures as provided for in Section 192 (2) of the Companies Act.

Arising from this, details of contracts in which they have an interest are provided in Note 48 on page 291 to the financial statements, under related party transactions.

b) Directors' Interests in Shares

The Directors' individual shareholdings in the Company are provided on page 82 of the Annual Report.

c) Share Dealings

There have been no share dealings by the Directors during the year.

d) Indemnities and Remuneration to Directors

Directors' remuneration is established within a framework approved by the Remuneration Committee of the parent company. The Directors are of the opinion that the framework assures appropriateness of remuneration and fairness for the Company. The remuneration of the Non – Executive Directors is determined according to scales of payment decided upon by the Board. Details of Directors' fees and emoluments paid during the year along with the corresponding amounts for the previous year are set out in Note 21 of the financial statements.

DIRECTORS' DECLARATION

The Directors declare that;

- a) The Company has not engaged in any activity, which contravenes laws and regulations
- b) The Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested
- c) The Company has made all endeavors to ensure the equitable treatment of shareholders
- d) The business is a going concern
- e) A review of the internal controls covering, financial, operational and compliance controls and risk management has been conducted, and the Directors have obtained reasonable assurance of their effectiveness and successful adherence therewith
- f) The Company, being listed on the Colombo Stock Exchange (CSE), is compliant with the rules on corporate governance under the listing rules of the CSE with regard to the composition of the Board and its sub committees
- g) The Company is in compliance with the Code of Best Practice on Corporate Governance (2017) issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) to the extent of business exigency and as required by the John Keells Group.

DIRECTORS' MEETINGS

Details of Board meetings and Board subcommittee meetings are presented on page 140 of the Annual Report.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the financial statements of the Company to reflect a true and fair view of the state of its affairs. The Directors are of the view that these financial statements

have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (SLFRSs / LKASs) issued by Institute of Chartered Accountants of Sri Lanka (ICASL), Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Regulation of Insurance Industry Act No. 43 of 2000, Statement of Recommended Practice (SORP) issued by the ICASL and the Listing Rules of the CSE.

RELATED PARTY TRANSACTIONS

There are no related party transactions which exceed the lower of 10% of equity or 5% of the total assets of the Company. Directors have disclosed the transactions with related parties in terms of Sri Lanka Accounting Standard LKAS 24 – Related Party Disclosures, in Note 48 to the financial statements and have complied with CSE Listing Rule 9.3.2 and Code of Best Practice on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (C) of the Securities and Exchange Commission (SEC) Act.

COMPLIANCE WITH THE TRANSFER PRICING REGULATIONS

All transactions entered into with associated persons during the period are on an arm's length basis and are comparable with transactions carried out with non - associated persons.

EMPLOYMENT

The Company continued to implement appropriate human resource management policies to develop employees and optimize their contribution towards the achievement of corporate objectives. These policies and procedures ensure the equitable treatment of all employees. The Company also adopts equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status or physical ability/disability. Some of the processes and procedures adopted in this regard are

ANNUAL REPORT OF THE BOARD OF DIRECTORS

mentioned in the Human Capital Report on pages 88 to 95. The number of persons employed by the Company as at 31 December 2023 was 780 (2022 -798).

There were no material issues pertaining to employees and industrial relations of the Company during the year under review.

CODE OF CONDUCT

The Company demands impeccable standards of conduct from its Directors and employees in the performance of their official duties and in situations that could affect the Company's image. The Company has also implemented a code of conduct for field staff covering their responsibility, commitment and level of service to the client. During the year no material violations of the code was noted.

EQUITY & INCLUSION POLICY

The Company recognises the importance of diversity, equity and inclusion and the role it plays in ensuring workplace respect, organisational success and sustainability for all stakeholders. In this regard, it is committed to providing a working environment where all employees are included, their diversity is embraced and where their contributions are valued. The Company believes that its workforce should reflect the diversity of the communities in which its businesses operate and the diverse set of stakeholders it creates value for, within the organisation and with its partners and vendors, and that positive relationships with stakeholder groups, which are also diverse and inclusive, will enable businesses to further augment its diversity and growth journey.

DONATIONS

There were no donations made during the year.

CORPORATE SOCIAL RESPONSIBILITY

The Company manages a range of programmes towards its stakeholders in order to bring about sustainable development in all areas of business. The CSR initiatives are detailed in the Social and Relationship Capital section on pages 102 to 111.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company has complied with all applicable laws and regulations. A compliance checklist is signed off on a monthly basis by responsible officers and any violations are reported to the Board Audit and Compliance Committee. Refer pages 167 to 173 for the statement of compliances.

RISK BASED CAPITAL (RBC) REQUIREMENT

With effect from 1 January 2016, all insurance companies were required to maintain a capital amount as computed under the risk based capital framework introduced by the IRCSL or Rs. 500 million whichever is higher. From the first quarter of 2016 onwards, the Company reported RBC requirements on a quarterly and annual basis within the reporting time lines. In addition, the Company submitted monthly solvency requirements within the timelines from April 2020 as required by IRCSL guidelines. Refer pages 176 to 177 for details on RBC of the Company.

ENTERPRISE RISK MANAGEMENT

The Board and the executive management of the Company have put in place a comprehensive risk identification, measurement and mitigation process. The risk management process is an integral part of the annual strategic planning cycle.

The Board is satisfied that the process is sufficiently robust to identify and manage risks which have an impact on the Company's performance.

A detailed overview of the process is outlined in the Enterprise Risk Management report in the Corporate Governance section on page 174.

SYSTEM OF INTERNAL CONTROLS

The Board of Directors has put in place an effective and comprehensive system of internal controls covering financial, operational and compliance controls and have obtained reasonable assurance of their effectiveness.

SLFRS 17 IMPLEMENTATION

A board subcommittee, SLFRS 17 Steering Committee ensures the institutional strategic readiness in implementation of SLFRS 17. This committee advises the Board on institutional readiness, covering both tactical and strategic considerations.

In parallel, a robust project management team, comprising members from finance, actuarial, IT, and technical departments, demonstrates the company's commitment to SLFRS 17 success. This team adheres to the implementation project plan, conducting regular meetings to discuss advancements, assess risks, and address resource requirements.

Details of the committee are outlined in the Corporate Governance section on page 147.

INTEGRATED CORPORATE REPORTING

The integrated annual report has been prepared in accordance with the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC). The Board Audit and Compliance Committee has reviewed the framework presented in this Annual Report and based on their recommendation, the Board has adopted the framework as a transparent basis to report the Company's activities and results to all stakeholder groups. The Company obtained external assurance from its auditors on integrated and non-financial reporting during the year.

CORPORATE GOVERNANCE

The Board of Directors is committed to maintaining an effective corporate governance structure and process. A more comprehensive report on corporate governance is found on pages 122 to 173.

SUSTAINABILITY

The Company is aware of the need to pursue its business goals from a stakeholder perspective of business governance. Hence, through the structured stakeholder engagement process, the Company has identified material issues in relation to each stakeholder group and endeavours to achieve its business

goals with due respect to all stakeholder needs. This integrated Annual Report, combining financial information with sustainability information aims to provide its stakeholders a more holistic set of information.

Messrs. KPMG has issued an assurance of the financial performance data disclosed and the content of the report which represents the Company's sustainability policies, objectives, management approach and performance, and as prepared under the requirements of the GRI Standards.

ENVIRONMENT PROTECTION

Initiatives taken by the Company to preserve the environment are presented in the Natural Capital Report on pages 96 to 101. The Company has not engaged in any activity that is harmful to the environment.

SUPPLIER POLICY

The Company applies an overall policy of agreeing and clearly communicating terms of payments as part of the commercial agreements negotiated with suppliers, and endeavours to pay for all items properly charged in accordance with those agreed terms. As at 31 December 2023, the payments of the Company amounted to Rs. 3,842 million (2022 - Rs. 2,629 million).

STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments due to the government, other regulatory institutions and in relation to employees as at the reporting date have been paid or, where relevant provided for, except as detailed in Note 51 to the financial statements, relating to contingent liabilities.

CAPITAL COMMITMENTS

No significant capital commitments exist as at 31 December 2023.

CONTINGENCIES AND OUTSTANDING LITIGATION

In the opinion of the Directors and in consultation with the Company lawyers, litigation currently pending against the

Company will not have a material impact on the reported financial results or future operations of the Company.

EVENTS AFTER THE REPORTING DATE

There have been no events subsequent to the reporting date, which would have any material effect on the Company, other than those disclosed in Note 50 to the financial statements.

GOING CONCERN

After considering the financial position, operating conditions, regulatory and other factors including prevailing adverse macro-economic conditions and such matters required to be addressed in the Code of Best Practice on Corporate Governance, issued jointly by the CA Sri Lanka and the SEC of Sri Lanka, the Directors have a reasonable expectation that the Company possesses adequate resources to continue in operation for the foreseeable future. For this reason, the going concern basis is adopted in preparing the financial statements.

AUDITORS

The Company's external auditors during the period under review were Messrs. KPMG. The fee amount paid / payable for the services provided to the Company during the year 2023 and 2022 is presented below.

	2023 Rs. '000	2022 Rs. '000
Audit and audit related fees	5,998	5,940
Non audit fees	1,476	2,600

INDEPENDENCE OF AUDITORS

Based on the declaration from Messrs. KPMG, and as far as the Directors are aware, the Auditors do not have any relationship or interest other than that of an Auditor of the Company.

RE-APPOINTMENT OF AUDITORS

The retiring auditor Messrs. KPMG have intimated their willingness to continue in office and a resolution to re - appoint them

as Auditors and authorizing the Directors to fix their remuneration will be proposed at the next Annual General Meeting.

AUDITORS' REPORT

Auditors' Report on the financial statements is given on pages 195 to 198 of this annual report.

APPROVAL OF FINANCIAL STATEMENTS

The audited financial statements were approved by the Board of Directors on 29 February 2024. The appropriate number of copies of this report will be submitted to the CSE and to the Sri Lanka Accounting and Auditing Standards Monitoring Board.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held as a virtual meeting, on 28 March 2024 at 3.30 p.m. The notice of the meeting relating to the 37 Annual General Meeting is given on page 334.

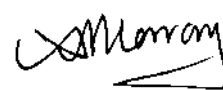
This Annual Report is signed for and on behalf of the Board of Directors by:



D P Gamalath
Director



PT Wanigasekara
Director



Keells Consultants (Private) Limited
Secretaries

29 February 2024

CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

The financial statements of Union Assurance PLC as at 31 December 2023 are prepared and presented in compliance with the following;

- ⊙ Sri Lanka Accounting Standards (SLFRSs / LKASs) issued by the Institute of Chartered Accountants of Sri Lanka (ICASL)
- ⊙ Requirements of the Companies Act No. 07 of 2007
- ⊙ Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- ⊙ Statement of Recommended Practice (SORP) issued by the ICASL
- ⊙ Listing rules of the Colombo Stock Exchange (CSE)
- ⊙ The Regulation of Insurance Industry (RII) Act No. 43 of 2000 and subsequent amendments thereto
- ⊙ Code of best practice on corporate governance issued jointly by the ICASL and Securities and Exchange Commission (SEC).

Accordingly, the Company has prepared the financial statements which comply with SLFRSs / LKASs and related interpretations applicable for the year ended 31 December 2023, together with the comparative data as at and for the year ended 31 December 2022, where required, as described in the accounting policies.

The accounting policies used in the preparation of the financial statements are appropriate and are consistently applied, unless otherwise stated in the notes accompanying the financial statements. There have been no changes in the accounting policies adopted by the Company during the year under review.

Significant accounting policies and estimates that involve a high degree of judgement and complexity were discussed with our external auditors and the Board Audit and Compliance Committee (BACC).

We confirm that to the best of our knowledge, the financial statements and other financial information included in this

annual report, fairly present in all material respects the financial position, results of operations and cash flows of the Company as of, and for, the periods presented in this Annual Report. We are responsible for establishing and maintaining internal controls and procedures to be designed under our supervision. We have designed such controls and procedures, or caused such controls and procedures to be designed under our supervision, to ensure that material information relating to the Company is made known to us and for safeguarding the Company's assets and preventing and detecting fraud and error. We have evaluated the effectiveness of the Company's internal controls and procedures and are satisfied that the controls and procedures were effective as of the end of the period covered by this annual report and on an ongoing basis.

We confirm, based on our evaluations that there were no significant deficiencies and material weaknesses in the design or operation of internal controls and any significant fraud that involves management or other employees.

Whilst the Internal audit function of the Company continuously conducts internal audit checks, our external Internal Auditors (Deloitte Partners) conduct periodic reviews to ensure that the internal controls and procedures are consistently followed. The financial statements were audited by Messrs. KPMG, Chartered Accountants, Independent Auditors.

The BACC pre - approves the audit and non - audit services provided by Messrs. KPMG, in order to ensure that the provision of such services does not impair KPMG's independence. The BACC also reviews the external audit plan, the internal audit plan, all internal audit reviews and management letters and follows up on any issues raised during the statutory audit as well as the internal audits. The BACC also meets with the external and internal auditors at a closed door meeting without the presence of the management to review the effectiveness of the audits.

We confirm that the company has complied with all applicable laws and regulations and guidelines and that there are no material litigations that are pending against the Company other than those arising in the normal course of conducting insurance business. We also confirm that the Company has complied with the following Insurance Regulatory Commission of Sri Lanka (IRC SL) requirements;

- ⊙ All provisions in the RII Act No. 43 of 2000, and subsequent amendments thereto, and all rules, regulations, determinations, directions issued by IRC SL; complied with all orders made by the Ministry of Finance and Planning under the RII Act, No. 43 of 2000.
- ⊙ Terms and conditions pertaining to reinsurance placements issued by IRC SL in terms of section 31(1) of the RII Act, No. 43 of 2000.
- ⊙ All applicable circulars issued by IRC SL.
- ⊙ All provisions in the Financial Transactions Reporting Act, No. 06 of 2006.
- ⊙ Rules on Know Your Customer (KYC) and Customer Due Diligence (CDD) for the Insurance Industry issued by the Financial Intelligence Unit established under the Financial Transactions Reporting Act, No. 06 of 2006.
- ⊙ Guidelines on Anti Money Laundering Programme for Insurers issued by IRC SL.



Senath Jayatilake
Chief Executive Officer



Asha Perera
Chief Finance Officer

29 February 2024

ACTUARY'S REPORT



29 February 2024

The Board of Directors
Union Assurance PLC
No 20, St. Michael's Road,
Colombo 03,
Sri Lanka

Actuarial Valuation of the Long-Term Insurance Business as at 31 December 2023

In accordance with the engagement letter dated 10 August 2022, Willis Towers Watson India Private Limited ("WTW", "we", "our" or "us"), has carried out an actuarial review of the valuation of long-term insurance liabilities of Union Assurance PLC's Long-Term Insurance Business as at 31 December 2023.

We hereby certify that:

1. Reasonable steps have been taken by the Company to ensure that data used for the actuarial valuation of the liabilities of the Long-Term Insurance Fund is complete and accurate;
2. Adequate and proper reserves have been provided as at 31 December 2023, for all liabilities in respect of the Long-Term Insurance Fund, taking into account all current and contingent liabilities as at that date.
3. The total long-term insurance provisions maintained within the life fund for conventional business is LKR57,846 million. The value of assets held in respect of conventional life business is LKR84,272 million. The surplus in respect of the conventional life business after making an allowance for a shareholder transfer of LKR2,800 million is LKR6,426 million. The cost of bonus for the participating business as at 31 December 2023 is LKR70 million and the shareholder transfer has been calculated as one-ninth of the cost of bonus. The remainder of the shareholder transfer for the conventional business has been made from the non-participating and universal life funds. The surplus in respect of the conventional business before shareholder transfer is LKR9,226 million.
4. The total long-term insurance provisions within the life fund for the non-unit liabilities in respect of unit-linked business is LKR31 million. The value of assets (other than assets backing unit-linked liabilities) held in respect of this business is LKR238 million. The surplus in respect of the unit-linked business before shareholder transfer is LKR207 million. Shareholder transfer in respect of Unit Linked business is nil as at 31 December 2023.
5. The risk-based capital required under the Regulation of Insurance Industry Act No. 43 of 2000 is LKR10,773 million, and the Company's CAR (after allowing for the LKR2,800 million shareholder transfer) is 281%, compared to the regulatory minimum requirement of 120%.
6. We have undertaken a liability adequacy test for long term insurance provisions maintained within the life fund of Union Assurance PLC as contemplated by SLFRS 4. In carrying out the liability adequacy test, we have compared the provisions held as per the audited accounts with the actuarial liability. For this purpose, the value of the actuarial liability is determined following the principles laid out within the risk-based capital framework as prescribed by the IRCSL (the Solvency Margin (Risk Based Capital) Rules 2015). Based on this test, we conclude that the long-term insurance provisions maintained within the life fund of Union Assurance PLC as per the audited accounts of the Company for the year ended 31 December 2023 is in excess of the liabilities computed in the above-mentioned manner.

Vivek Jalan, FIA, FIAI
Head of Insurance Consulting & Technology, India
WTW

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Registered Office:
Emaar Capital Tower 2
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Haryana, India

T: +91 124 4322800
F: +91 124 4322801
E: TW.Fin.India@willistowerswatson.com
W: www.wtwco.com
CIN: U67190HR1996PTC051336

THE STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibility of the Directors in relation to the financial statements is set out in the following statement. The responsibility of the Auditors in relation to the financial statements prepared in accordance with the provision of the Companies Act No. 07 of 2007 is set out in the Report of the Auditors on pages 195 to 198. As per the provisions of the Companies Act No. 07 of 2007 the Directors are required to prepare, for each financial year and place before a general meeting, financial statements which comprise of;

- ⊙ income statement and statement of profit or loss and other comprehensive income of the Company which present a true and fair view of the profit or loss of the Company for the financial year; and
- ⊙ a statement of financial position, which presents a true and fair view of the state of affairs of the Company as at the end of the financial year; and
- ⊙ a statement of changes in equity; and
- ⊙ a statement of cash flows for the year ended and notes to the financial statements.

The Directors have ensured that, in preparing these financial statements;

- ⊙ the appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained; and
- ⊙ all applicable accounting standards in accordance with the Sri Lanka Accounting Standards (SLFRSs /LKASs) as relevant have been applied; and
- ⊙ reasonable and prudent judgements and estimates have been made so that the form and substance of transactions are properly reflected; and

- ⊙ it provides 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 and requirements of any other regulatory authority as applicable to the Company.

The Directors have 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 Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

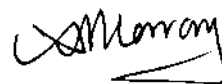
The Directors are required to prepare the financial statements and to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their audit opinion.

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 taxes, duties and levies payable by the Company, all contributions levies and taxes payable on behalf of and in respect of the employees of the Company, and all other known statutory dues, as were due and payable by the Company, as at the reporting date have been paid or, where relevant provided for, except as detailed in Note 51 to the financial statements, relating to contingent liabilities.

By order of the Board



Keells Consultants (Private) Limited
Secretaries

29 February 2024

INDEPENDENT AUDITOR'S REPORT



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel +94 - 11 542 6426
Fax +94 - 11 244 5872
+94 - 11 244 6058
Internet www.kpmg.com/lk

To the Shareholders of Union Assurance PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Union Assurance PLC ("the Company"), which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for professional Accountants issued by CA

Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INSURANCE CONTRACT LIABILITIES

Refer to Note 42 (page 282) and Note 43 (page 287) to these financial statements.

Risk Description	Our Response
The Company has recognised insurance contract liabilities and insurance contract liabilities - unit linked amounting to Rs. 65,043 Mn and Rs. 719 Mn respectively as at 31 December 2023.	Our audit procedures among others included;
The Company's insurance contract liabilities in total including Unit-Linked Fund represent 92 percent of the Company's total liabilities. This is an area that involves significant management judgement and requires a number of key assumptions to be made over uncertain future outcomes, mainly the ultimate total settlement value of long-term policyholder liabilities.	- Assessing the competence, capabilities and objectivity of the Appointed Actuary and the Company's staff involved in the policyholders' liability valuation process. - Assessing the controls adopted by the Company to ensure that the data used for the valuation of the life fund is accurate and complete. - Assessing the Company's methodology for calculating the policyholder liabilities to be in line with the guidelines of the Insurance Regulatory Commission of Sri Lanka (Risk Based Capital Rules 2015).
Economic assumptions, including risk-free rate, inflation, and operating assumptions including mortality, morbidity, persistency and expenses assumptions, fund yield, bonus rate, dividend rates, and lapse ratio (including consideration of policyholder behavior) are the key inputs used to estimate these long-term liabilities.	

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee

C. P. Jayatilake FCA
Ms. S. Joseph FCA
S. T. D. L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA

T. J. S. Rajakaniar FCA
Ms. S.M.B. Jayasekara FCA
G. A. U. Karunaratne FCA
R. H. Rajan FCA
A.M.R.P. Alahakoon ACA

W. J. C. Perera FCA
W. K. D. C. Abeyratne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Gumanasekara FCA

Principals: S.R.I. Perera FCMA(UK), LL.B, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R. Ziyad FCMA (UK), FTII

INDEPENDENT AUDITOR'S REPORT



Risk Description	Our Response
Further, these liabilities are measured on a market-consistent basis in accordance with the Solvency Margin (Risk Based Capital) Rules 2015 with effect from 01 January 2016, issued under Sections 105 and 26 (I) of the Regulation of Insurance Industry Act, No. 43 of 2000. Current economic and market conditions also have a significant impact on the estimation uncertainty of the life insurance liability due to the factors such as high cost of claims, changes in policyholder behavior, impact on solvency ratios etc. Accordingly, due to the value of the liability balance relative to total liabilities, subjectivity of the significant judgments involved and estimation uncertainty associated with the valuation, we considered insurance contract liabilities as a Key Audit Matter.	⊙ Reconciling the movements in policyholder liabilities during the year with the movements in the financial results reported in separate funds. ⊙ Assessing the accuracy and completeness of the data used in the valuation of life fund by agreeing the relevant data elements to the original policy documents. ⊙ Involving our actuarial specialist to assist us in assessing the key assumptions, including those for morbidity, persistency, expense, fund yield and bonus rate, dividend rates, and lapse ratio (including consideration of policyholder behavior) by performing the following audit procedures; ⊙ checking the management basis and approach for developing the assumptions. ⊙ assessing whether the relevant assumptions are consistent with relevant industry, regulatory and other external factors including current economic conditions. ⊙ testing the assumptions used in the valuation. ⊙ Verifying the existence, market valuation of the financial investments and the related investment income in relation to the financial instruments attributed to the Unit-Linked Fund. ⊙ Assessing the adequacy of the disclosures in the financial statements.

IT SYSTEM AND CONTROLS

Risk Description	Our Response
The financial reporting of the Company depends on the correct functioning of operational and financial IT systems. For example, interfaces between policy administration and financial reporting systems, automated controls that prevent or detect inaccurate or incomplete transfers of financial information, etc. If these systems or controls fail, a significant risk of error in reported financial information can arise from the failure to transfer data appropriately between systems and/or inappropriate changes being made to financial data or systems. This is an area of significant risk in our audit due to the dependency and complexity of the IT infrastructure and accordingly identified as a Key Audit Matter.	⊙ Our audit procedures among others included; ⊙ Assessing the governance and higher-level controls in place across the IT Environment, including the approach to policy design, review and awareness, and IT Risk Management practices. ⊙ Testing general IT controls involving restrictions on system access, permissions, and responsibilities of authorised users, the process for approving changes to the systems. ⊙ Obtaining an understanding and testing controls over specific application controls which are required to be operating effectively to mitigate the risk of misstatement in the financial statements. ⊙ Testing manual compensating controls, such as reconciliations between systems and other information sources.



Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going

concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ⊙ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- ⊙ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ⊙ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ⊙ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ⊙ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, 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.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is FCA 3272.

A handwritten signature in black ink, appearing to be 'AWJ'.

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka
29 February 2024

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INCOME STATEMENT

For the year ended 31 December	Note	Page	2023 Rs. '000	2022 Rs. '000	Change %
Gross written premium	9	239	18,866,985	16,675,053	13
Premium ceded to reinsurers	10	240	(1,032,590)	(887,546)	16
Net written premium			17,834,395	15,787,507	13
Other revenue					
Net investment income	11	240	10,816,725	7,479,013	45
Net realised gains	12	241	767,605	265,577	189
Net fair value gains / (losses)	13	242	509,985	(303,862)	268
Other income	14	242	29,032	87,973	(67)
Total other revenue			12,123,347	7,528,701	61
Total net revenue			29,957,742	23,316,208	28
Benefits, claims and expenses					
Net insurance benefits and claims paid	15	243	(6,628,056)	(5,199,269)	27
Net change in insurance claims outstanding	16	243	(90,074)	(499,390)	(82)
Change in contract liabilities - Life Fund	17	244	(9,831,742)	(6,473,179)	52
Underwriting and net acquisition costs (net of reinsurance)	18	244	(3,543,999)	(3,152,291)	12
Other operating, administrative and selling expenses	19	245	(4,376,585)	(3,966,674)	10
Depreciation and amortisation	26/27/28	253/255/260	(543,610)	(535,088)	2
Total benefits, claims and expenses			(25,014,066)	(19,825,891)	26
Profit from operations			4,943,676	3,490,317	42
Share of results of equity accounted investee, net of tax	29	262	311,874	229,642	36
Profit before tax	21	246	5,255,550	3,719,959	41
Income tax expenses	22	246	(1,497,185)	(972,854)	54
Profit for the year			3,758,365	2,747,105	37
Earnings per share					
Basic (Rs.)	23	248	6.38	4.66	37
Diluted (Rs.)	23	248	6.38	4.66	37

The notes to the financial statements as set out on pages 207 to 298 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	Note	Page	2023 Rs. '000	2022 Rs. '000	Change %
Profit for the year			3,758,365	2,747,105	37
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Net gains on revaluation of land and buildings	27.1	257	299,362	-	
Share of net change in actuarial gain/(loss) on defined benefit plan of equity accounted investee, net of tax	29.1(a)	265	(14,445)	6,071	
Actuarial loss on defined benefit plan	40.2	279	(10,094)	(5,292)	
Related tax			-	-	
			274,823	779	35,179
Items that are or may be reclassified to profit or loss					
Fair value reserve (available for sale financial assets)					
Net change in fair value of available for sale financial assets	37	278	1,811,557	(1,282,052)	
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax	29.1(a)	265	45,412	(45,584)	
Net change in fair value of available for sale financial assets transferred to the income statement	37.1	278	15,477	(9,837)	
Related tax			-	-	
			1,872,446	(1,337,473)	240
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets	37	278	4,472,322	(1,404,906)	
Net change in fair value of available for sale financial assets of insurance liabilities transferred to the income statement	37.1	278	(446,091)	39,981	
Related tax			-	-	
			4,026,231	(1,364,925)	395
			5,898,677	(2,702,398)	318
Other comprehensive income, net of tax			6,173,500	(2,701,619)	329
Total comprehensive income for the year, net of tax			9,931,865	45,486	21,735

The notes to the financial statements as set out on pages 207 to 298 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	Page	2023 Rs. '000	2022 Rs. '000
Assets				
Intangible assets	26	253	1,130,585	1,311,217
Property, plant and equipment	27	255	3,006,118	2,759,687
Right of use assets	28	260	418,566	455,615
Investment in equity accounted investee	29	262	2,046,001	1,703,160
Financial investments	30	265	83,419,773	64,455,930
Loans to life policyholders	31	273	2,368,021	2,118,116
Reinsurance receivable	32	274	447,558	556,985
Premiums receivable	33	275	1,051,444	878,441
Receivables and other assets	34	275	942,120	777,524
Cash in hand and at bank	35	277	839,475	952,332
Total assets			95,669,661	75,969,007
Equity and liabilities				
Equity				
Stated capital	36	277	1,000,000	1,000,000
Available for sale reserve	37	278	3,334,055	(2,564,622)
Revaluation reserve	38	278	2,563,095	2,267,979
Restricted regulatory reserve	39	279	3,381,934	3,381,934
Other reserves	40	279	76,543	85,665
Retained earnings	41	282	13,805,444	10,042,833
Total equity			24,161,071	14,213,789
Liabilities				
Insurance contract liabilities	42	282	65,043,384	55,430,893
Insurance contract liabilities - Unit Linked	43	287	718,692	746,484
Lease liabilities	44	288	422,540	448,719
Employee benefit liabilities	45	288	190,578	286,691
Reinsurance payables	46	290	365,027	636,154
Other liabilities	47	290	4,645,809	3,977,798
Bank overdraft	35	277	122,560	228,479
Total liabilities			71,508,590	61,755,218
Total equity and liabilities			95,669,661	75,969,007

The notes to the financial statements as set out on pages 207 to 298 form an integral part of these financial statements.

I certify that the above financial statements comply with the requirements of the Companies Act No. 07 of 2007.



Asha Perera
Chief Finance Officer

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

Signed on behalf of the Board:



D P Gamlath
Director



PT Wanigasekara
Director

STATEMENT OF CHANGES IN EQUITY

Rs. '000	Note	Stated capital	Reserves					Retained earnings	Total
			Restricted regulatory reserve	Revaluation reserve	Reserve on merger	Other reserves			
						Available for sale reserve	Other capital reserves		
Balance as at 1 January 2022									
		1,000,000	3,381,934	2,272,226	16,752	137,776	58,495	8,587,910	15,455,093
Profit for the year									
		-	-	-	-	-	-	2,747,105	2,747,105
Other comprehensive income for the year, net of tax									
Net change in fair value of available for sale financial assets									
37		-	-	-	-	(1,291,889)	-	-	(1,291,889)
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets									
37		-	-	-	-	(1,364,925)	-	-	(1,364,925)
Revaluation gain on land and buildings									
27.1		-	-	-	-	-	-	-	-
Actuarial loss on defined benefit plan									
40.2		-	-	-	-	-	(5,292)	-	(5,292)
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax									
37		-	-	-	-	(45,584)	-	-	(45,584)
Share of net change in actuarial gain on defined benefit plan of equity accounted investee, net of tax									
40.2		-	-	-	-	-	6,071	-	6,071
Tax on other comprehensive income									
		-	-	-	-	-	-	-	-
Total other comprehensive income									
		-	-	-	-	(2,702,398)	779	-	(2,701,619)
Total comprehensive income for the year									
		-	-	-	-	(2,702,398)	779	2,747,105	45,486
Transactions with owners, transfers, recorded directly in equity									
Contributions and distributions									
First and final dividend 2021									
24.2		-	-	-	-	-	-	(1,296,429)	(1,296,429)
Share based payments									
40.3 (a)		-	-	-	-	-	9,639	-	9,639
Transfer from revaluation reserve to retained earnings									
27.11		-	-	(4,247)	-	-	-	4,247	-
Total contributions and distributions									
		-	-	(4,247)	-	-	9,639	(1,292,182)	(1,286,790)
Balance as at 31 December 2022									
		1,000,000	3,381,934	2,267,979	16,752	(2,564,622)	68,913	10,042,833	14,213,789

The notes to the financial statements as set out on pages 207 to 298 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Rs. '000	Note	Stated capital	Reserves					Retained earnings	Total	
			Restricted regulatory reserve	Revaluation reserve	Reserve on merger	Other reserves				
						Available for sale reserve	Other capital reserves			
Balance as at 1 January 2023										
		1,000,000	3,381,934	2,267,979	16,752	(2,564,622)	68,913	10,042,833	14,213,789	
Profit for the year		-	-	-	-	-	-	3,758,365	3,758,365	
Other comprehensive income for the year, net of tax										
Net change in fair value of available for sale financial assets		37	-	-	-	-	1,827,034	-	-	1,827,034
Net change in liabilities of insurance contracts arising from fair value changes in available for sale financial assets		37	-	-	-	-	4,026,231	-	-	4,026,231
Revaluation gain on land and buildings		27.1	-	-	299,362	-	-	-	-	299,362
Actuarial loss on defined benefit plan		40.2	-	-	-	-	-	(10,094)	-	(10,094)
Share of net change in fair value of available for sale financial assets of equity accounted investee, net of tax		37	-	-	-	-	45,412	-	-	45,412
Share of net change in actuarial loss on defined benefit plan of equity accounted investee, net of tax		40.2	-	-	-	-	-	(14,445)	-	(14,445)
Tax on other comprehensive income			-	-	-	-	-	-	-	
Total other comprehensive income			-	-	299,362	-	5,898,677	(24,539)	-	6,173,500
Total comprehensive income for the year			-	-	299,362	-	5,898,677	(24,539)	3,758,365	9,931,865
Transactions with owners, transfers, recorded directly in equity										
Contributions and distributions										
First and final dividend 2022		24.2	-	-	-	-	-	-	-	-
Share based payments		40.3 (a)	-	-	-	-	-	15,417	-	15,417
Transfer from revaluation reserve to retained earnings		27.11	-	-	(4,246)	-	-	-	4,246	-
Total contributions and distributions			-	-	(4,246)	-	-	15,417	4,246	15,417
Balance as at 31 December 2023			1,000,000	3,381,934	2,563,095	16,752	3,334,055	59,791	13,805,444	24,161,071

The notes to the financial statements as set out on pages 207 to 298 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December

	Note	Page	2023 Rs. '000	2022 Rs. '000
Cash flows from operations				
Insurance premiums received			18,693,981	16,329,586
Reinsurance premiums paid			(230,716)	(140,350)
Insurance benefits and claims paid	15	243	(7,604,730)	(6,309,729)
Reinsurance claims received	15	243	976,674	1,110,460
Payments to intermediaries to acquire insurance contracts			(3,491,999)	(3,096,038)
Cash paid to and on behalf of employees			(2,055,875)	(2,020,046)
Interest received			8,925,854	5,997,358
Dividends received			119,871	132,001
Other operating cash flows			(3,527,572)	(2,989,272)
Cash generated from operating activities	Note A	206	11,805,488	9,013,970
Interest paid			(26,224)	-
Income tax paid			(1,306,646)	(710,161)
Employee benefits paid	45.4.(a)	289	(21,237)	(35,109)
Net cash flow from operating activities			10,451,381	8,268,700
Cash flows used in investing activities				
Purchase of investments	30.7	273	(44,309,668)	(28,856,699)
Maturity proceeds of investments	30.7	273	16,165,937	14,891,971
Proceeds from sale of investments			18,020,829	7,357,148
Purchase of property, plant and equipment	27.1	257	(66,930)	(126,903)
Purchase of intangible assets	26.1	255	(111,699)	(73,570)
Proceeds from sale of property, plant and equipment			212	270
Net cash used in investing activities			(10,301,319)	(6,807,783)
Net cash inflow before financing activities			150,062	1,460,917
Cash flows used in financing activities				
Dividends paid to equity holders of the Company			-	(1,296,429)
Settlement of lease liabilities	44	288	(157,000)	(161,051)
Net cash used in financing activities			(157,000)	(1,457,480)
Net (decrease) / increase in cash and cash equivalents			(6,938)	3,437
Cash and cash equivalents at the beginning of the year			723,853	720,416
Cash and cash equivalents at the end of the year	Note B	206	716,915	723,853

The notes to the financial statements as set out on pages 207 to 298 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	Page	2023 Rs. '000	2022 Rs. '000
NOTE A.				
Reconciliation of profit before taxation with cash from operating activities				
Profit before tax			5,255,550	3,719,959
Non - cash items included in profit before tax				
Depreciation and amortisation	26.1/27.1/28.1	255/257/261	543,610	535,088
Provision for employee benefits	19.1	245	49,395	74,904
Provision for doubtful debtors	34.1(a)/34.2(a)	276	3,825	(4,567)
Net realised gains	12	241	(767,605)	(265,577)
Net fair value (gains) / loss	13	242	(509,985)	303,862
Gain on sale of property, plant and equipment	14	242	(189)	(249)
Amortisation of financial investments			(1,007,531)	(322,823)
Amortisation of lease liabilities	44	288	38,969	33,825
Scrip dividend income	30.7	273	(25,803)	(9,722)
Share of results of equity accounted investee	29.1	264	(311,874)	(229,642)
Interest expense on obligation to repurchase securities			26,224	-
Share based payment expenses	40.3 (a)	281	15,417	9,639
Profit before working capital changes			3,310,003	3,844,697
Net change in operational assets				
Net change in reinsurance assets			109,427	412,461
Net change in premiums receivable			(173,003)	(345,466)
Net change in receivables and other assets			(1,094,991)	(1,104,906)
Net change in operational liabilities				
Net change in life insurance contract liabilities			9,584,699	6,343,038
Net change in reinsurance liabilities			(271,127)	(402,113)
Net change in other liabilities			340,480	266,259
Cash generated from operating activities			11,805,488	9,013,970
NOTE B.				
Cash and cash equivalents at the end of the year				
Cash in hand and at bank	35.1	277	839,475	952,332
Bank overdraft	35.2	277	(122,560)	(228,479)
Cash and cash equivalents	35.2	277	716,915	723,853

For the purpose of the cash flow statement, cash and cash equivalent consist of cash in hand and at bank, net of outstanding bank overdraft as shown above

The notes to the financial statements as set out on pages 207 to 298 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

Reporting Entity

Union Assurance PLC (the 'Company') is a public limited liability Company incorporated and domiciled in Sri Lanka and the ordinary shares of the Company are listed on the Colombo Stock Exchange. The registered office and principal place of business of the Company is located at No. 20, St. Michael's Road, Colombo 03.

Parent Entity and Ultimate Parent Entity

The Company's controlling entity and ultimate parent undertaking is John Keells Holdings PLC which is incorporated in Sri Lanka.

Principal Activities and Nature of Operations

The Company

Union Assurance PLC is in the Life insurance business providing Life insurance solutions for both individual and corporate customers. There were no significant changes in the nature of the principal activities of the Company during the financial year under review.

Associate Company

Fairfirst Insurance Limited is in the Non - Life insurance business and there were no significant changes in the nature of the principal activity of the Associate Company during the year. Union Assurance PLC owns 22% stake of Fairfirst Insurance Limited (2022 - 22%). The registered office and principal place of business of the Company is located at Access Towers II (14th floor), 278/4, Union Place Colombo 02, Sri Lanka.

Number of Employees

The staff strength of the Company as at 31 December 2023 is 780 (2022 – 798).

Financial Statements

The financial statements for the year ended 31 December 2023, comprise of the Company and the results of the equity accounted investee. The results of equity accounted investee of the Company, Fairfirst Insurance Limited have been presented in the financial statements in accordance with Sri Lanka Accounting Standard LKAS 28 - Investments in Associates and Joint Ventures.

Approval of Financial Statements

The financial statements for the year ended 31 December 2023 were authorised for issue by the Directors on 29 February 2024.

Responsibility for the Financial Statements

The responsibility of the Board of Directors in relation to the financial statements is set out in the Statement of Directors' Responsibility in the annual report.

Statement of Compliance

The financial statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs / LKASs) as issued by the Institute of Chartered Accountants of Sri Lanka (ICASL), the requirements of the Companies Act No. 07 of 2007, Regulation of Insurance Industry (RII) Act No. 43 of 2000 and amendments thereto, Statement of Recommended Practice (SORP) issued by the ICASL and the listing rules of the Colombo Stock Exchange.

These financial statements include the following components:

- ⦿ an Income Statement and Statement of Profit or Loss and Other Comprehensive Income providing information on the financial performance of the Company for the year under review (Refer pages 200 and 201);
- ⦿ a Statement of Financial Position providing information on the financial position of the Company as at the year end (Refer page 202);
- ⦿ a Statement of Changes in Equity depicting all changes in shareholders' funds of the company during the year under review (Refer pages 203 and 204);
- ⦿ a Statement of Cash Flows providing information to the users, on the ability of the Company to generate cash and cash equivalents and utilisation of those cash flows in the business (Refer pages 205 and 206);
- ⦿ Notes to the financial statements comprising accounting policies and other explanatory information (Refer pages 207 to 298)

The Company has opted to defer full application of SLFRS 9 - Financial Instruments, until the adoption of SLFRS 17 - Insurance Contracts, exercising the temporary exemption provided to an insurance company (Refer Note 4.1).

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF ACCOUNTING

Basis of Measurement

These financial statements have been prepared on an accruals basis and under the historical cost convention except for the following material items, which are measured on an alternative basis at each reporting date:

Items	Measurement basis	Note	Page
Financial assets			
Non - derivative financial assets at fair value through profit or loss	Fair value	8	234
Available for sale financial assets	Fair value	8	234
Financial assets - Unit linked	Fair value	8	234
Non-Financial assets / liabilities			
Freehold land and buildings	Fair value	27. 7	258
Insurance contract liabilities	Actuarially valued in line with the guidelines issued by the Insurance Regulatory Commission of Sri Lanka (IRCSL)	42	282
Net defined benefit liabilities	Actuarially valued and recognised at present value	45	288
Share based payment	Fair value	40.3	279

No adjustments have been made for inflationary factors in these financial statements.

Functional and Presentation Currency

The Financial Statements of the Company are presented in Sri Lankan Rupees (LKR), which is the primary economic environment in which the Company operates and is also the functional currency.

There was no change in the Company's Presentation and Functional Currency during the year under review.

Rounding

The amounts in the Financial Statements have been rounded to the nearest rupees thousands, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard LKAS 1 - Presentation of Financial Statements.

Materiality and Aggregation

Each item which is similar in nature is presented together if material. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard LKAS 1 - Presentation of Financial Statements.

Going Concern

The Company has prepared the financial statements for the year ended 31 December 2023 on the basis that it will continue to operate as a going concern. In determining the basis of preparing the financial statements for the year ended 31 December 2023 based on available information, the Management has assessed the prevailing macroeconomic conditions and its effect on the Company and the appropriateness of the use of the going concern basis.

The Management has formed judgement that the Company has adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalisation of risk mitigation initiatives and monitoring of business continuity and response plans along with the financial strength of the Company. Further, the Company has taken actions such as prudent asset allocation, expense management and optimization, development of product strategy to meet the new environment, digitalization and innovation, claims and surrender management etc. to mitigate the impact from adverse macroeconomic conditions.

In determining the above significant management judgements, estimates and assumptions, the impact of the macroeconomic conditions as described in note 3, have been considered as of the reporting date and specific considerations have been disclosed under the notes, as relevant.

Supplementary Statements - Statement of Financial Position of the Life Insurance Fund

Supplementary Statement of Financial Position of the Life insurance fund together with the notes are disclosed in pages 320 to 327, continuing the past practice which is a requirement of the Statement of Recommended Practice (SORP) for insurance contracts, adopted by the ICASL.

Comparative Information

The presentation and classification of assets and liabilities in the financial statements of the previous year have been amended, where relevant for better presentation and to be comparable with those of the current year. Refer Note 52 for details on change in comparative information.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, Management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Current Economic Condition of the country and estimation uncertainty

Sri Lanka is recovering from an adverse economic condition. In March 2023, the IMF Executive Board approved a 48-month Extended Fund Facility (EFF) of USD 2.9 billion to support the government's reform program. In May 2023, the program was approved in Parliament. In June 2023, Sri Lanka's Cabinet approved a plan to restructure nearly half of its USD 42.1 billion local debt following an agreement with the International Monetary Fund (IMF). Indicative terms of the restructure were announced in June 2023. The Sri Lankan government is actively addressing the economic challenges through a combination of policy

measures and reforms. The IMF board completed the first review under the 48 months extended fund facility with Sri Lanka to support its economic policies and reforms. As per IMF reports Sri Lanka's performance under the program was satisfactory. As per the IMF forecasts the real GDP growth rate of 1.8% for 2024 is forecasted whereas it was negative (3.6%) in 2023. By 2025, IMF is forecasting a real GDP growth rate of 3%.

The present economic environment necessitated the Government to respond at unprecedented levels to protect the local economy and livelihoods. Uncertainties in the economy have significantly increased the estimation uncertainty in the preparation of these financial statements including, the extent and duration of the disruption to businesses, expected economic downturn, and subsequent recovery.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to incurred losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets. The impact of the economic crisis on each of these estimates is discussed further in the relevant notes of these financial statements.

3.1 Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Critical Judgements	Note	Page
Classification of financial assets	25	249
Classification of insurance, reinsurance and investment contracts: assessing whether the contract transfers significant insurance risk and whether an insurance contract contains direct participation features	42	282
Equity accounted investee: whether the Company has significant influence over an investee	29	262
Measurement of insurance and reinsurance contracts: determining the techniques for estimating risk adjustments for non-financial risk and the quantity of benefits provided under a contract	42	282

3.2 Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities is included in the following notes:

Critical Accounting Estimates	Note	Page
Impairment of financial assets	25	249
Impairment of intangible assets	26	253
Determination of the fair value of financial instruments and investments and owner occupied properties with significant unobservable inputs	8	234
Measurement of defined benefit obligations: key actuarial assumptions	45	288
Recognition and measurement of provisions and contingencies: key assumptions on the likelihood and magnitude of an outflow of resources	51	297
Impairment of non financial assets: key assumptions underlying recoverable amounts	5.1	214
Measuring insurance and reinsurance contracts: key assumptions	42	282
Liability Adequacy Test	42	282
Measurement of GWP accrual adjustment	9	239

NOTES TO THE FINANCIAL STATEMENTS

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following standards have been issued and are effective for annual periods beginning after 1 January 2023, early application was permitted with transitional rules.

These standards have not been applied to these financial statements as explained below.

4.1 SLFRS 9 - Financial Instruments

The standard became mandatorily effective for the annual periods beginning on or after 1 January 2018.

The Company met the eligibility criteria for the temporary exemption under the Amendments to SLFRS 4 from applying SLFRS 9 in 2018 and has accordingly deferred the adoption of SLFRS 9 until SLFRS 17 - Insurance Contracts is adopted upon its mandatory effective date.

The Company is eligible as its activities are predominantly to issue insurance contracts based on the criteria as set out in the amendments to SLFRS 4.

Disclosures on Qualifying for the Temporary Exemptions

Based on the proposed SLFRS 17 - Insurance Contracts, the Company is permitted to apply the temporary exemption as the Company meets the following eligibility criteria:

- 1 The Company has not applied SLFRS 9 before; and
- 2 Company's activities are predominantly connected with insurance as the ratio of its liabilities connected with insurance, including investment contracts measured at fair value through profit or loss, compared with total liabilities which is greater than 90%. Accordingly, the Company qualifies as a pure insurance company.

As at 31 December	2023 Rs. '000	2022 Rs. '000
Insurance contract liabilities	65,043,384	55,430,893
Insurance contract liabilities - Unit Linked	718,692	746,484
Reinsurance payables	365,027	636,154
Liabilities connected with insurance	66,127,103	56,813,531
Total liabilities	71,508,590	61,755,218
Predominance ratio	92%	92%

Disclosures to Provide Comparability

Business Model Assessment

The Company will make an assessment of the objective of the business model when a financial asset is held at a portfolio level since this best reflects the way the business is managed and information flow to the management.

i. Classification - Financial assets

SLFRS 9 contains a new classification and measurement approach for financial assets that reflects characteristics of cashflows of assets and the business model in which assets are managed.

SLFRS 9 includes three principal classification categories for financial assets; measured at amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). It replaces the existing four categories under LKAS 39 of held to maturity (HTM), loans and receivables (L&R), fair value through profit or loss (FVTPL) and available for sale (AFS).

The table below provides an initial assessment made by the Company on its financial assets portfolio;

Financial assets that meet the solely payment of principal and interest (SPPI) test (excluding the financial assets that meet the definition of held for trading or managed and evaluated on a fair value basis) are classified as Amortised cost.

Instrument	Current classification	Credit risk grading	Carrying value under LKAS 39 Rs. '000	Fair value Rs. '000	Classification under SLFRS 9
Treasury bonds	HTM	N/A	40,777,419	42,287,851	Amortised cost
Bank deposit	L&R	A	64,359	64,359	Amortised cost
Reverse repurchase agreements	L&R	N/A	174,942	174,942	Amortised cost
Debentures	L&R	Please refer Note 30.4(a)	10,303,762	9,710,883	Amortised cost
Asset backed security	L&R	N/A	306,697	307,008	Amortised cost

All other financial assets (that meet the definition of held for trading or managed and evaluated on a fair value basis)

Instrument	Current classification	Carrying value under LKAS 39 Rs. '000	Fair value Rs. '000	Classification under SLFRS 9
Equity shares	FVTPL	4,349,278	4,349,278	FVTPL
Debentures	FVTPL	65,392	65,392	FVTPL
Reverse repurchase agreements	FVTPL	39,269	39,269	FVTPL
Treasury bonds	FVTPL	275,072	275,072	FVTPL
Treasury bills	FVTPL	84,599	84,599	FVTPL
Unit trusts	FVTPL	4,181,269	4,181,269	FVTPL
Treasury bonds	AFS	20,405,510	20,405,510	FVTOCI
Treasury bills	AFS	2,392,206	2,392,206	FVTOCI

Impact Assessment

The standard will affect the classification and measurement of financial assets held, as follows;

- Trading assets and derivative assets held for risk management, which are classified as held for trading and measured at fair value under LKAS 39, will also be measured at fair value under SLFRS 9;
- Loans and receivables measured at amortised cost under LKAS 39 will also be measured at amortised cost under SLFRS 9;
- Held to maturity investment securities measured at amortised cost under LKAS 39 will be measured at amortised cost under SLFRS 9;
- Debt investment securities that are classified as available for sale under LKAS 39 may, under SLFRS 9, be classified under FVTOCI or amortised cost and measured at fair value / amortised cost depending on the particular circumstance;
- The equity investment securities that are classified as fair value through profit or loss under LKAS 39 will be remained under FVTPL and measured at fair value under SLFRS 9.

ii. Impairment - Financial Assets, Loan Commitments and Financial Guarantee Contracts

SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with a forward looking 'expected credit loss' model. This will require considerable judgement over how changes in economic factors affect Expected Credit Loss (ECL), which will be determined on a probability weighted basis.

The new impairment model applies to financial assets that are debt instruments, that are not measured at FVTPL.

SLFRS 9 requires a loss allowance to be recognised at an amount equal to either 12 month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12 month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

iii. Hedge Accounting

Hedge accounting requirements which are more closely aligned with the risk management activities of the Company. No significant change is currently anticipated from hedge accounting.

4.2 SLFRS 17 - Insurance Contracts

As recommended by the Accounting Standards Committee, the Institute of Chartered Accountants of Sri Lanka (ICASL) has decided to adopt SLFRS 17 - Insurance Contracts with effect from annual reporting periods beginning on or after 1 January 2025.

However to facilitate a seamless transition and allow ample time for implementation, the Council of ICASL has granted approval for another one-year extension in the effective date of SLFRS 17. Consequently, SLFRS 17 will now be applicable for the annual reporting period commencing on or after 1 January 2026. Simultaneously, the mandatory application of SLFRS 9, which has implications for the insurance industry, will also take effect from 1 January 2026, aligning with the deferred implementation of SLFRS 17.

NOTES TO THE FINANCIAL STATEMENTS

Early adoption along with the adoption of SLFRS 9 - Financial Instruments and SLFRS 15 - Revenue from Contracts with Customers is permitted if the regulator permits. SLFRS 17 supersedes SLFRS 4 - Insurance Contracts.

SLFRS 4 permitted insurers to continue to use the statutory basis of accounting for insurance assets and liabilities that existed in their jurisdictions prior to January 2005. SLFRS 17 replaces this with a new measurement model for all insurance contracts.

SLFRS 17 requires liabilities for insurance contracts to be recognised as the present value of future cash flows, incorporating an explicit risk adjustment, which is updated at each reporting date to reflect current conditions, and a contractual service margin (CSM) that is equal and opposite to any day-one gain arising on initial recognition. Losses are recognised directly into the income statement. For measurement purposes, contracts are grouped together into contracts of similar risk, profitability profile and issue year, with further divisions for contracts that are managed separately.

Profit for insurance contracts under SLFRS 17 is represented by the recognition of the services provided to policyholders in the period (release of the CSM), release from non-economic risk (release of risk adjustment) and investment profit.

The CSM is released as profit over the coverage period of the insurance contract, reflecting the delivery of services to the policyholder. For certain contracts with participating features (where a substantial share of the fair value of the related investments and other underlying items is paid to policyholders) the CSM reflects the variable fee to shareholders. For these contracts, the CSM is adjusted to reflect the changes in economic experience and assumptions. For all other contracts the CSM is only adjusted for non-economic assumptions.

SLFRS 17 introduces a new measure of insurance revenue, based on the delivery of services to policyholders and excluding any premiums related to the investment elements of policies, which will be significantly different from existing premium revenue measures, currently reported in the income statement. In order to transition to SLFRS 17, the amount of deferred profit, being the CSM at transition date, needs to be determined.

SLFRS 17 requires, this CSM to be calculated as if the standard had applied retrospectively. If this is not practical, an entity is required to choose either a simplified retrospective approach or determine the CSM by reference to the fair value of the liabilities at the transition date. The approach for determining the CSM will have a significant impact on both shareholders' equity and on the amount of profits on in-force business in future reporting periods.

SLFRS 17 Implementation Programme

SLFRS 17 is expected to have a significant impact, as the requirements of the new standard are complex and requires a fundamental change to accounting for insurance contracts as well as the application of significant judgement and new estimation techniques. The effect of changes required to the Company's accounting policies as a result of implementing these standards are currently uncertain, but these changes can be expected to, among other things, alter the timing of profit recognition. Given the implementation of this standard is likely to involve crucial enhancements to IT, actuarial and finance systems of the Company, significant investments are made to ensure smooth transition & operations.

The Company has an implementation programme underway to implement SLFRS 17 and SLFRS 9. The scope of the programme consists of setting accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing appropriate data and implementing actuarial and finance system changes.

SLFRS 17 Steering Committee to ensure strategic, tactical, and operational readiness for the implementation of SLFRS 17. The Company has made steady progress in the SLFRS 17 implementation journey and awarded a proof of concept (POC) to a selected vendor. Throughout this process, the vendor successfully addressed our requirements using their ready-made software with minimal customizations.

With this positive feedback from the POC, the SLFRS 17 Steering Committee has granted approval to proceed with contacting the respective vendor for the implementation of SLFRS 17. A detailed progress of the SLFRS 17 project along with the governing structure and project timelines are given in Finance Capital section of the annual report in page 73.

The Company is on track to providing SLFRS 17 financial statements in line with the requirements when it becomes effective. Governing structure and project timelines are given in the Finance Capital section of Annual Report.

4.3 Classification of liabilities as current or non-current and non-current liabilities with Covenants (Amendments to LKAS 1)

The amendments, as issued in 2020 and 2022, aim to clarify the requirement on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants. The amendments apply for annual reporting period beginning on or after 1 January 2024. The company does not have any liabilities with covenants, hence no impact to the financial statements.

4.4 Other Standards

- ◉ Supplier finance arrangements (amendments to LKAS 7 and SLFRS 7)
- ◉ Lease Liability in Sale and Leaseback (Amendments to SLFRS 16)
- ◉ Lack of exchangeability (Amendments to LKAS 21)

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these financial statements. The accounting policies are presented along with the respective notes.

In addition, the Company adopted Disclosure of accounting policies (Amendments to LKAS 1) from 1 January 2023 onwards. The amendments require the disclosure of 'material' rather than 'significant' accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed.

Set out below is an index of the significant policies;

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The Company adopted following changes to accounting policies with effect from 01 January 2023.

Deferred tax related to assets and liabilities arising from a single transaction

The Company has adopted Deferred tax related to assets and liabilities arising from a single transaction (amendments to LKAS 12) from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences Eg. Leases.

There has been no material impact from the above adoption to the financial statements.

Material Accounting Policy information

The Company adopted Disclosure of Accounting Policies (Amendments to LKAS 1) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Management reviewed the accounting policies and made updates to the information disclosed in Note 5 Summary of Material Accounting Policies (2022: Summary of Significant Accounting Policies) in certain instances in line with the amendments.

Other Material Accounting Policies Not Covered With Individual Notes

The following accounting policies which have been applied consistently by the Company, are considered to be material but are not covered in any other section.

5.1 Impairment of Non-Financial Assets

The carrying amounts of the Company's non-financial assets (other than insurance and reinsurance contract assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated annually. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

5.2 Foreign Currency

5.2 (a) Foreign Currency Transactions

Transactions in foreign currencies are converted into the functional currency of the Company at the exchange rates prevailing at the time the transactions are effected.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference

between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest, impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. The gain or loss arising on transactions of non-monetary items is treated in line with the recognition of gain or loss on fair value of the item.

5.2 (b) Foreign Operations

The Company does not have any foreign operations that is a subsidiary, associate, joint venture or a branch. Therefore, there is no exchange differences recognised in other comprehensive income.

6 OPERATING SEGMENTS

Accounting policy

Operating segments are components of the Company that engages in business activities from which it may earn revenues and incur expenses whose operating results are regularly reviewed by the Company's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to segments and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Company's Chief Executive Officer (being the CODM) include items that are directly attributable to segments as well as those that can be allocated on a reasonable basis.

6.1 Basis for Segmentation

The Company is one legal entity however for Management purposes and to comply with the regulatory framework, the Company is organised into business units based on their products and services and has two reportable operating segments. These segments are managed separately because they require different operational, risk management and marketing strategies. All operating results are reviewed regularly by the Chief Executive Officer (CEO) and Corporate Management to make decisions regarding resource allocation and assess its performance, and for which financial information is available.

The Company has the following two strategic segments, which are its reportable segments.

The following summary describes the operations of each reportable segment.

Reportable Segment	Description
Policyholder Fund	UA maintains five separate policyholder funds according to the following product types: Participating, Non-participating, Universal life, Unit linked, and Non-unit linked. Transactions of each product type are entered in the account maintained for that business. Assets belonging to each fund are maintained separately and the policyholder liabilities in each category are matched with suitable assets (by amount and duration). The investments in each fund complies with the regulatory requirements specified under Determination 1.
Shareholder Fund	Assets belonging to the shareholders are maintained separately in the "Shareholder Fund". Income and expenses arising from shareholders account are accounted under the Shareholders Fund. Every year, the surplus arising from policyholder funds are transferred to the Shareholder Fund based on the Actuary's recommendation. Currently, the Company holds the one-off surplus that arose from changing the policy liability valuation as a restricted reserve within the Shareholders Fund.

6.2 Information about Reportable Segments

Information related to each reportable segment is set out below. Segment profit / (loss) before tax is used to measure performance as this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industry.

Summary of Segment Performance

For the year ended 31 December Rs. '000	2023			2022		
	Policyholder Fund	Shareholder Fund	Total	Policyholder Fund	Shareholder Fund	Total
Segment revenue						
Gross Written Premium	18,866,985	-	18,866,985	16,675,053	-	16,675,053
Net Written Premium	17,834,395	-	17,834,395	15,787,507	-	15,787,507
Total Investment Income and Other Revenue	10,021,634	2,101,713	12,123,347	6,277,385	1,251,316	7,528,701
Total Net Revenue	27,856,029	2,101,713	29,957,742	22,064,892	1,251,316	23,316,208
Total Claims and Expenses	(15,224,287)	41,963	(15,182,324)	(13,291,713)	(60,999)	(13,352,712)
Change in Contract Liabilities	(9,831,742)	-	(9,831,742)	(6,473,179)	-	(6,473,179)
Share of results of equity accounted investee, net of tax	-	311,874	311,874	-	229,642	229,642
Surplus distributed to shareholders	(2,800,000)	2,800,000	-	(2,300,000)	2,300,000	-
Segment Profit Before Tax	-	5,255,550	5,255,550	-	3,719,959	3,719,959
Income Tax Expenses	-	(1,497,185)	(1,497,185)	-	(972,854)	(972,854)
Segment Profit After Tax	-	3,758,365	3,758,365	-	2,747,105	2,747,105

All revenues are from external customers. There is no revenue from transactions between operating segments

As at 31 December Rs. '000	2023			2022		
	Policyholder Fund	Shareholder Fund	Total	Policyholder Fund	Shareholder Fund	Total
Segment Assets	78,078,151	17,591,510	95,669,661	61,411,556	14,557,451	75,969,007
Segment Equity and Reserves	4,806,437	19,354,634	24,161,071	495,186	13,718,603	14,213,789
Segment Liabilities	70,524,604	983,986	71,508,590	60,916,370	838,848	61,755,218

Segmental cash flows have not been presented since the Company manages its cash flows at company level.

NOTES TO THE FINANCIAL STATEMENTS

6.3 Major Customer

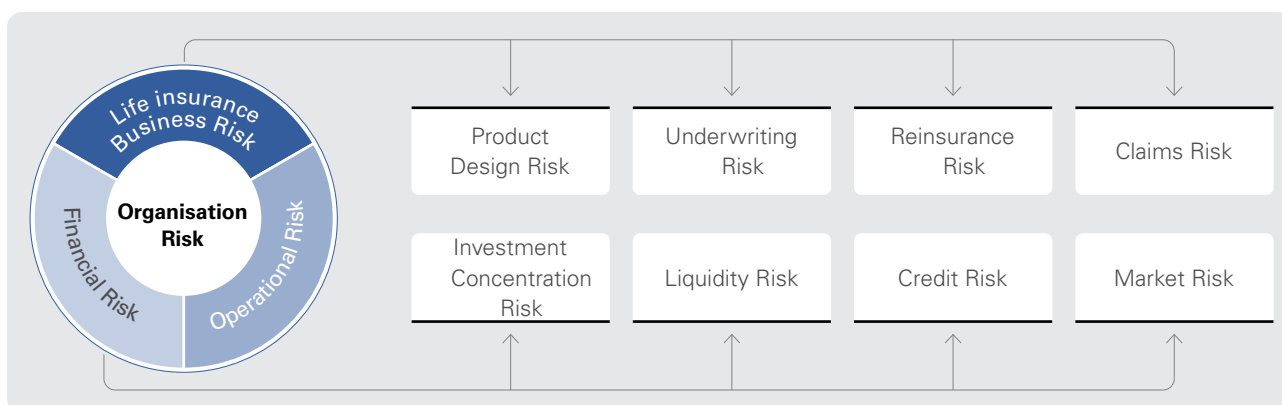
The company does not have any major single customer.

6.4 Geographic Information

The Company functions in one geographic location (only in Sri Lanka). Accordingly, geographic information is not presented in the financial statements.

7 FINANCIAL RISK MANAGEMENT

The following presents the risks that the Company considers in Risk Management. This note presents information about the Company's exposure to each of the stated risks, the Company's objectives, policies and processes for measuring and managing such risks. The current economic condition is more fully describe under note 3 to the financial statements.



Risk Management Framework

Primary objective of the Company's business and financial risk management framework is to protect the Company's shareholders from events that could hinder the sustainable delivery of financial objectives. The risk management process comprises the identification and evaluation of existing and potential risks associated with the Company's operations and strategy, followed by appropriate management responses such as tolerance, mitigation, transfer, avoidance, termination or a combination of such responses.

The Company's Board of Directors (the Board) has 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 risk faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to the limits.

The Board has delegated the responsibility to design, implement and monitor the risk management plan to the corporate management team. The Management ensures effective management of risk through continuous

and regular measurement and reports the Company's risk management performance to the Board Audit and Compliance Committee (BACC) which in turn updates the Board.

The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. 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.

Financial risk management can be qualitative and quantitative. As a specialisation of risk management, financial risk management focuses on when and how to use financial instruments to manage costly exposures.

Details of our risk management framework, objectives and regulatory framework is provided under Corporate Governance and Enterprise Risk Management section given on pages 174 to 184.

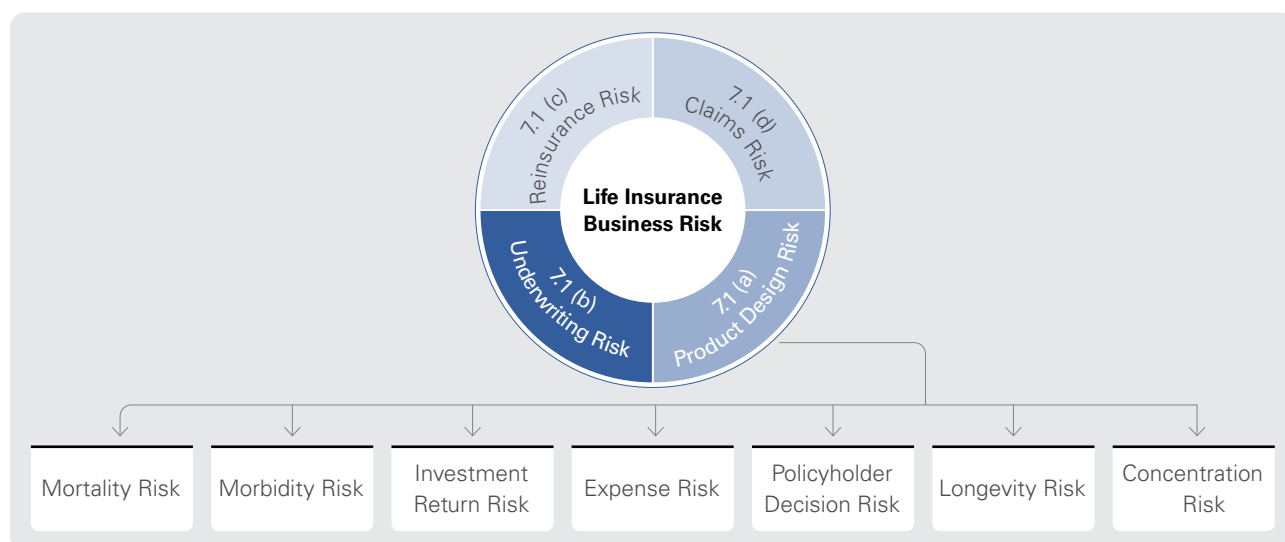
Regulatory Framework

The Insurance Regulatory Commission of Sri Lanka (IRCSL) safeguards policyholders through supervisory control of insurance companies in line with the Regulation of Insurance Industry Act No. 43 of 2000 and subsequent amendments. The Company needs to comply with rules with respect to the solvency position and the determination requirements to ensure the Company maintains appropriate level of admissible and approved investments in excess of liabilities to meet risks arising from unforeseen events. Further the Company is in compliance with the Risk Based Capital (RBC) requirement as per IRCSL. The Company has

adequate Total Available Capital (TAC) in policyholder's and shareholder's funds collectively, to support the Risk based Capital Required (RBC).

The operations of the Company are also subject to oversight by various other regulators such as the Securities and Exchange Commission of Sri Lanka (SEC), the Colombo Stock Exchange (CSE), the Central Bank of Sri Lanka (CBSL), the Department of Inland Revenue, etc. The Company is also regulated by the Companies Act No. 07 of 2007.

7.1 Business Risk



Business Risk - Life Insurance Risk

The Company being in the insurance industry, life insurance business risk is the risk that the Company is exposed to as a result of the insurance contracts undertaken. Insurance risk is the inherent uncertainty regarding the occurrence, amount or timing of insurance liabilities.

Risk Response

The objective of the Company is to ensure that sufficient reserves are available to cover these liabilities. The risk exposure is mitigated by;

- ⦿ Diversification across a large portfolio of insurance contracts and geographical spread;
- ⦿ Careful selection and implementation of underwriting guidelines;
- ⦿ The use of reinsurance arrangements;
- ⦿ Ensure compliance (determination) requirements imposed by the regulator (IRCSL).

Risk management procedures adopted by the Company to manage insurance risk is given on pages 174 to 184.

Traditional Life Insurance

Life insurance is a contractual agreement between a policyholder and a life insurance Company. Policyholders agree to make premium payments to the Company, and the Company agrees to pay beneficiaries a sum of money if the policyholder dies or an insured event occurred.

Traditional life insurance products include protection and annuity covers. Protection products carry product designing, underwriting, claims and reinsurance risk.

NOTES TO THE FINANCIAL STATEMENTS

7.1 (a) Product Design Risk

Life insurance product design largely depends on futuristic hypothetical assumptions. Accordingly there is a risk of introducing unprofitable products to the market due to inappropriate use of assumptions or judgements. The fundamental assumptions used in product development are explained below.

Risk	Description	Assumptions used / risk response
Mortality risk	Risk of loss arising due to policyholders death experience being different from expected	Use of standard mortality tables with adjustments to reflect the Company's mortality experience after allowing for adverse deviation having conducted stress analysis.
Morbidity risk	Risk of loss arising due to policyholders health experience being different from expected	Assumptions are based on reinsurance tables, adjustments made when appropriate to reflect the Company's own risk experience after allowing for adverse deviation having conducted stress analysis.
Investment return risk	Risk of loss arising from actual returns being different from expected	The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long term asset allocation strategy. Stress analysis is carried to check the sensitivity and allow for adverse deviation.
Expense risk	Risk of loss arising from the expense experience being different from expected	Operating expense assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. Expense assumptions have been set based on the latest expense investigation carried out on the expenses incurred.
Policyholder decision risk	Risk of loss arising due to policyholders experiences (lapses and surrenders) being different from expected	Lapse and surrender rates are projected according to the Company's past experience. Stress analysis is carried to check the sensitivity and allow for adverse deviation.
Longevity Risk	Risk of loss arising due to the annuitant living longer than expected	Terms and conditions included in insurance applications have been designed to address non-standard and unpredictable risks.
Concentration risk	Risk of losses due to not maintaining a balanced product portfolio	Developing a proper product mix in line with Company strategy. Stress analysis is carried out to check the sensitivity of the business mix within the products.

Overall Risk Mitigation Approach in Traditional Life Insurance

Product	Key risks	Risk mitigation
Traditional participating	- Market risk: Investment return on underlying items falling below guaranteed minimum rates - Policyholder behaviour risk	- Management discretion to determine amount and timing of policyholder bonuses (within limits) - Surrender penalties
Non-Participating	- Market risk: Insufficient fees to cover cost of guarantees and expenses - Policyholder behaviour risk	- Derivative hedging programme - Surrender penalties
Universal life	- Interest rate risk: Differences in duration and yield of assets and liabilities - Investment credit risk	- Matching of asset and liability cash flows - Investing in investment grade assets
Unit linked product	- Market risk: Insufficient fees to cover expenses - Policyholder behaviour risk	- Product repricing - Surrender penalties

Unit Linked Products

Unit linked products have been designed in order to reduce much of the market and credit risks associated with traditional products. It is a type of insurance vehicle in which the policyholder purchases units at their net asset values and also makes contributions toward another investment vehicle. Unit linked insurance plans allow for the coverage of an insurance policy.

Under unit linked contracts, risks are largely passed on to the policyholder, although a portion of the Company's management fees are linked to the value of funds under management and hence are at risk if the fund values decrease.

Unit linked products carry mortality risk and market risk to the extent that there are guarantees built into the product design. Contracts may have minimum guaranteed death benefits where the sum at risk depends on the fair value of the underlying investments. For certain contracts these risks are minimised by explicit mortality and morbidity charges.

Participating Fund vs Non-Participating Fund

The following table shows the concentration of the Participating and Non Participating funds position of the Company.

As at 31 December Type of contract	2023		2022	
	Rs. '000	%	Rs. '000	%
Participating	8,135,864	13	8,023,060	15
Non Participating	56,661,759	87	47,156,729	85
Total traditional	64,797,623	100	55,179,789	100
Non unit fund of linked insurance	245,761		251,104	
Total value of insurance liabilities	65,043,384		55,430,893	

The table below presents the sensitivity of the value of insurance liabilities to movements in the key assumptions used in the estimation of insurance liabilities with other assumptions held constant. For liabilities under life insurance contracts with fixed and guaranteed terms,

changes in assumptions will not cause a change to the amount of the liability, unless the change is severe enough to trigger a liability adequacy test adjustment. No adjustments were required in 2023 or 2022, based on the results of the liability adequacy test.

As at 31 December Assumption	Change %	Impact on liabilities %		Impact on liabilities	
		2023	2022	2023	2022
Mortality	+10	0.17	0.38	90,087	103,266
	-10	(0.17)	(0.39)	(90,369)	(104,382)
Discount rate	+1	(4.49)	(2.77)	(2,442,008)	(743,967)
	-1	4.92	2.93	2,674,160	786,383

NOTES TO THE FINANCIAL STATEMENTS

7.1 (b) Underwriting Risk

Underwriting risk arise from an inaccurate assessment of the risks entailed in writing an insurance policy. As a result, the policy may cost the insurer much more than it has earned in premiums.

Underwriting risk can be identified through following 3 main risk categories.

- ⊙ Insurance risk: the risk transferred from the policyholder to the Company, other than financial risk. Insurance risk arises from the inherent uncertainty about the occurrence, amount or timing of claims.
- ⊙ Policyholder behaviour risk: the risk that a policyholder will cancel a contract (i.e. lapse or persistency risk), increase or reduce premiums, withdraw deposits, or annuitise a contract earlier or later than expected.
- ⊙ Expense risk: the risk of unexpected increases in the administrative costs associated with the servicing of contract (rather than in the costs associated with insured events).

Risk Response

- ⊙ Validation of policyholder data before underwriting. Accordingly, policyholder undergoes a medical test at Company's expense.
- ⊙ Appropriate training is provided to insurance advisors.
- ⊙ Use of common pricing policy.
- ⊙ Interventions via advance data analytics to reduce lapse rates.

7.1 (c) Reinsurance Risk

Notwithstanding the advantages reinsurance provide, it can expose the Company at varying degrees to various risks inherent in its use. A new or continuing reinsurance contract could give rise to one or more of the following risks:

- ⊙ Residual insurance risk may arise from discrepancies between reinsurance needs and the actual coverage provided for in the contract, resulting in the insurer retaining greater risk than anticipated.
- ⊙ Legal risk may arise when the terms of the contract do not accurately reflect the intent of the insurer or when the contract cannot be legally enforced.
- ⊙ Counterparty risk may result from the inability or potential refusal of the reinsurer, or a stakeholder in the case of an alternative risk transfer mechanism, to honour its obligations towards the ceding insurer.
- ⊙ Liquidity risk may arise from the possible time lag between the payment of a claim by the insurer to its insured and receipt of the reinsurance recoverable.

- ⊙ Operational risk may result from inadequate contractual arrangements or from insufficient technological or administrative capacity to manage and collect sums owed by reinsurers.

Risk Response

- ⊙ Reinsurance is placed in line with policy guidelines approved by the Board of Directors on an annual basis based on the guidelines issued by the IRCSL.
- ⊙ Management assesses the credit worthiness of reinsurers on a regular basis to update the reinsurance strategy and ascertain the suitable allowance for impairment of reinsurance assets.

The Company reinsures approximately 5% of Gross Written Premium.

For the year ended 31 December	2023		2022	
	Rs. '000	%	Rs. '000	%
Gross Written Premium	18,866,985		16,675,053	
Reinsurance	(1,032,590)	5	(887,546)	5
Net Written Premium	17,834,395		15,787,507	

The Company has recovered approximately 47% of gross claims paid from reinsurers during the period under review.

For the year ended 31 December	2023		2022	
	Rs. '000	%	Rs. '000	%
Gross claims expenses*	1,839,443		1,433,062	
Claims recovered from reinsurers	(867,247)	47	(697,999)	49

*Maturity, annuity and surrender claims are excluded from gross claims expenses

7.1 (d) Claims Risk

The possibility of adverse variance in claim pattern of the product which is not expected at the product development stage.

Risk Response

- ⊙ Obtaining adequate reinsurance cover.
- ⊙ Adequate information is gathered to confirm the event occurred prior to processing the claim.
- ⊙ In-house actuarial department closely monitors claim reserves.

7.2 Financial Risk

Financial risk is the probability of loss inherent in financing methods which may impair the ability to provide adequate returns. The Company is exposed to a range of financial risks through financial assets and financial liabilities.

Financial risks can be categorised as follows;



7.2 (a) Investment Concentration Risk

Investment concentration risk is the risk that an investor will suffer from lack of diversification, investing too heavily in one industry, one geographic area or one type of security. It may also be defined as the risk of loss due to over exposure to one investment, asset class, risk factor, etc.

Risk Response

- The Investment Committee (IC) sets an overall asset allocation target at the start of the year. The decision is based on a number of factors including an analysis of the macroeconomic environment, regulatory requirements, liquidity position and return expectations during the plan period.
- The IC sets sectorial asset allocation limits for equity investments as well as related party exposure limits.
- The Company limits the maximum cash amount that can be deposited with a single counterparty.
- Outsourced management of the equity portfolio to a third party fund management Company to leverage expert knowledge in investment decisions and optimise portfolio return and risk.

The above is based on the approved investment policy of the Company. Investment concentration related to financial investments is given below;

As at 31 December	2023		2022	
	Rs. '000	%	Rs. '000	%
Government securities and related institutions	63,914,588	78	49,288,452	77
Corporate debt securities	10,303,762	12	10,620,656	17
Fixed deposits	64,359	-	541,402	1
Unit trusts	4,181,198	5	-	-
Investment in quoted equity securities	3,942,092	5	2,960,435	5
Asset backed securities	306,697	-	306,881	-
Total	82,712,696	100	63,717,826	100

Government Securities and Related Institutions

This includes investments made in treasury bills, treasury bonds, and reverse repurchase agreements.

Corporate Debt Securities

The Company has predominantly invested in Banking and diversified financials sectors for which the Company believes the credit risk and market risk is low.

As at 31 December	2023		2022	
	Rs. '000	%	Rs. '000	%
Banking and Diversified financials	9,994,236	97	10,311,091	97
Capital Goods	104,478	1	104,510	1
Telecommunication	205,048	2	205,055	2
Total	10,303,762	100	10,620,656	100

NOTES TO THE FINANCIAL STATEMENTS

Fixed Deposits

This includes investments made in fixed deposits issued by licensed commercial banks.

Investment in Quoted Equity Securities

Considering the market return and risk, the Company has predominantly invested in Banking and Capital goods sectors in accordance with its active trading strategy and regularly reviews market risk of the portfolio to assess adequacy of diversification.

As at 31 December Industry Group	2023		2022	
	Rs. '000	%	Rs. '000	%
Application Software	-	-	53,685	2
Banks	1,275,919	32	60,423	2
Capital Goods	1,285,343	33	900,636	30
Consumer Durables & Apparel	236,584	6	392,590	13
Consumer Services	66,995	2	149,521	5
Diversified Financials	29,872	1	-	-
Energy	-	-	222,522	8
Food Beverage & Tobacco	468,086	12	275,012	9
Materials	355,823	9	654,852	23
Real Estate	1,340	-	-	-
Retailing	8,676	-	-	-
Transportation	-	-	127,711	4
Telecommunication Services	213,454	5	123,483	4
Total	3,942,092	100	2,960,435	100

7.2 (b) Liquidity Risk

Liquidity risk is the risk, that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. In respect of catastrophic / unexpected large claim events there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

The Company implemented a mixed approach that combines elements of the cash flow matching approach and the liquid assets approach. The Company attempts to match cash outflows in each time bucket against the combination of contractual cash inflows plus other inflows that can be generated through investment cashflows.

The Company considered that cash flow scrutiny is paramount at uncertain times and adopted a disciplined approach across the Company including functioning of spend control committee for preserving and increasing liquidity to respond to possible future liquidity constraints arising from adverse economic condition.

Risk Response

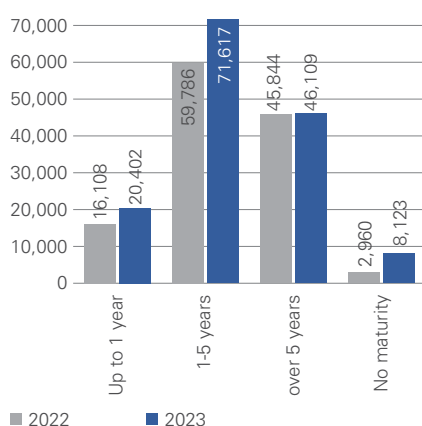
- ⊙ The Investment Committee (IC) manages this risk by diversifying investment durations and reviewing cash flow projections regularly.
- ⊙ Guidelines are set for asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure availability of sufficient funding to meet insurance and investment contract obligations.
- ⊙ Reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments when claim events exceed a certain size.
- ⊙ Reviewing the maturity mix of the investment portfolio by the Management and the Investment Committee (IC) on a regular basis.
- ⊙ Maintaining sufficient cash balances, overnight investments and other short tenure investments to accommodate expected obligations and commitments of the Company.

Excess liquidity position of the Company excluding insurance contract liabilities is given below (based on undiscounted cashflows);

As at 31 December	2023		2022	
	Rs. '000	%	Rs. '000	%
Up to one year	20,334,519	14	16,108,231	13
1 - 5 Years	71,616,897	48	59,785,733	48
Over 5 years	46,108,882	32	45,844,413	37
No maturity	8,123,290	6	2,960,435	2
	146,183,588	100	124,698,812	100

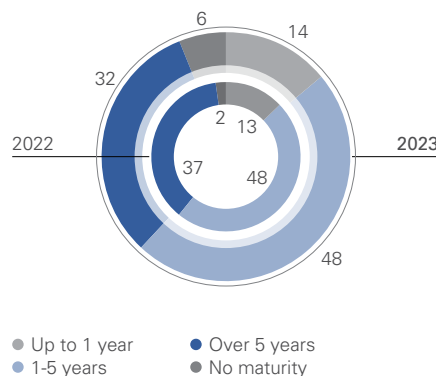
Excess Liquidity Position

(Rs. Mn)



Composition of Excess Liquidity

(%)



For reinsurance receivables, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

Unit linked liabilities are repayable or transferable on demand and are included as 'current' repayments.

The table below summarises the maturity profiles of non derivative financial assets and financial liabilities, excluding insurance contract liability, based on remaining undiscounted contractual obligations, including interest payable and receivable. Undiscounted maturity profiles of insurance contract liability have been disclosed under note 42.11.

As at 31 December 2023	Carrying amount	No fixed tenure	Up to one year	1 - 5 years	Over 5 years	Total
Rs. '000						
Financial assets						
Held to maturity	40,777,419	-	5,591,278	36,623,560	40,520,689	82,735,527
Loans and receivables	10,849,760	-	4,543,804	10,050,797	551,250	15,145,851
Available for sale	22,797,716	-	5,948,220	23,328,466	4,482,270	33,758,956
Fair value through profit or loss	8,287,801	8,123,290	4,335,246	326,248	111,062	12,895,846
Other financial assets	348,966	-	134,629	308,063	12,943	455,635
Loans to life policyholders	2,368,021	-	475,103	1,501,483	391,435	2,368,021
Reinsurance receivable	447,558	-	341,488	63,360	42,710	447,558
Premiums receivable	1,051,444	-	1,051,444	-	-	1,051,444
Cash and cash equivalents	839,475	-	839,475	-	-	839,475
Total undiscounted assets	87,768,160	8,123,290	23,260,687	72,201,977	46,112,359	149,698,313
Financial liabilities						
Reinsurance payables	365,027	-	294,221	70,806	-	365,027
Lease liabilities	422,540	-	147,544	385,274	3,477	536,295
Other financial liabilities	2,465,534	-	2,361,843	129,000	-	2,490,843
Bank overdraft	122,560	-	122,560	-	-	122,560
Total undiscounted liabilities	3,375,661	-	2,926,168	585,080	3,477	3,514,725
Total excess liquidity	84,392,499	8,123,290	20,334,519	71,616,897	46,108,882	146,183,588

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2022	Carrying amount	No fixed tenure	Up to one year	1 - 5 years	Over 5 years	Total
Rs. '000						
Financial assets						
Held to maturity	36,044,803	-	7,827,798	28,101,979	39,260,828	75,190,605
Loans and receivables	13,008,194	-	4,735,315	11,247,533	1,237,500	17,220,348
Available for sale	11,704,394	-	3,429,923	19,426,496	5,123,600	27,980,019
Fair value through profit or loss	2,960,435	2,960,435	-	-	-	2,960,435
Other financial assets	355,046	-	110,119	324,959	39,649	474,727
Loans to life policyholders	2,118,116	-	672,914	1,267,713	177,489	2,118,116
Reinsurance receivable	556,985	-	489,795	61,843	5,347	556,985
Premiums receivable	878,441	-	878,441	-	-	878,441
Cash and cash equivalents	952,332	-	952,332	-	-	952,332
Total undiscounted assets	68,578,746	2,960,435	19,096,637	60,430,523	45,844,413	128,332,009
Financial liabilities						
Reinsurance payables	636,154	-	542,595	93,559	-	636,154
Lease liabilities	448,719	-	140,926	394,231	-	535,157
Other financial liabilities	2,183,379	-	2,076,406	157,000	-	2,233,406
Bank overdraft	228,479	-	228,479	-	-	228,479
Total undiscounted liabilities	3,496,731	-	2,988,406	644,790	-	3,633,196
Total excess liquidity	65,082,015	2,960,435	16,108,231	59,785,733	45,844,413	124,698,813

The table below sets out the availability of the company's financial assets to support future funding and obligations.

As at 31 December Unencumbered	2023			Restricted as collateral	2022		Total
	Restricted as collateral	Available as collateral	Total		Available as collateral		
Rs. '000							
Held to maturity	37,012,208	3,765,211	40,777,419	31,376,502	4,668,301		36,044,803
Loans and receivables	9,881,797	967,963	10,849,760	12,358,785	649,409		13,008,194
Available for sale	14,805,391	7,992,325	22,797,716	7,625,317	4,079,077		11,704,394
Fair value through profit or loss	7,117,689	1,877,189	8,994,878	3,698,539	-		3,698,539
Loans to life policyholders	2,368,021	-	2,368,021	2,118,116	-		2,118,116
Reinsurance receivable	447,558	-	447,558	556,985	-		556,985
Premiums receivable	1,051,444	-	1,051,444	878,441	-		878,441
Other financial assets	59,795	289,171	348,966	69,461	285,585		355,046
Cash in hand and at bank	830,554	8,921	839,475	943,134	9,198		952,332
Total	73,574,457	14,900,780	88,475,237	59,625,280	9,691,570		69,316,850

Assets restricted as collateral represents the assets owned by the policyholders of the Company.

Financial assets available as collateral represents the assets owned by the shareholders of the Company. There were no financial assets pledged as collateral during the year ended 31 December 2023.

7.2 (c) Credit Risk

Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfil their financial obligations.

The Company's exposure to credit risk is derived from the following main categories of assets and the analysis of maximum credit exposure is given below.

As at 31 December Risk element	2023		2022	
	Rs. '000	%	Rs. '000	%
Financial investments	78,770,604	94	60,757,391	93
Loans to life policyholders and others*	2,663,669	3	2,422,655	4
Reinsurance receivable	447,558	1	556,985	1
Premiums receivable	1,051,444	1	878,441	1
Cash at bank	835,804	1	948,607	1
Total	83,769,079	100	65,564,079	100

*Refundable deposits and other financial assets are not considered.

Credit risk related to financial investments

The Company is exposed to credit risk from counterparties where the Company holds securities issued by those entities.

Credit ratings of counterparties were further downgraded during the year following downgrading of the country's overall credit rating as a direct result of suspension of servicing foreign debt. However, there is no significant impact to the financial statements stemming from downgraded debenture investments of the Company.

The country negotiated a USD 2.9 billion extended fund facility (EFF) with IMF which is important to bring macroeconomic and financial stability. Sri Lankan government restructured the domestic debt with minimal impact to the financial system and are in the process of restructuring foreign debt. With stabilizing the economy and successful conclusion of debt restructuring negotiations will improve the credit worthiness of the country.

Risk Response

- The Company's investment policy prohibits non-graded investments, unless specifically authorised.
- Appropriate actions are implemented when the Company identifies investments that are expected to be downgraded.
- The Company identifies and selectively reduces unsecured and subordinated credit exposure issued by third parties with weak credit profiles.
- Structured finance exposures are assessed on a look through basis prior to acquisition and not merely on the strength of prevailing credit ratings or credit profiles.

Company implemented several initiatives such as periodic review of the creditworthiness of its counterparties using external ratings, financial statements reviews, credit agency information and industry information.

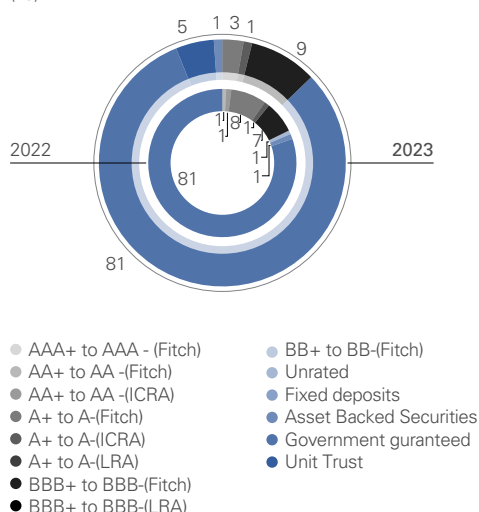
The Company actively manages its investment portfolio to ensure that there is no significant concentration of credit risk. The Company monitors concentration of credit risk by sector and instrument. An analysis of concentration of credit risk and credit quality of financial investments are shown below.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2023 Rs. '000	Held to maturity financial assets	Loans and receivables	Available for sale financial assets	Financial assets at fair value through profit or loss	Total	%
Maximum exposure to credit risk, carrying amount	40,777,419	10,849,760	22,797,716	4,345,709	78,770,604	
Government securities and related institutions						
Treasury Bonds	40,777,419	-	20,405,510	84,705	61,267,634	78
Treasury Bills	-	-	2,392,206	79,806	2,472,012	3
Reverse Repo	-	174,942	-	-	174,942	-
Corporate debt securities						
AAA+ to AAA - Fitch	-	104,478	-	-	104,478	-
A+ to A- Fitch	-	2,019,637	-	-	2,019,637	3
A+ to A- ICRA	-	599,790	-	-	599,790	1
A+ to A- LRA	-	243,468	-	-	243,468	-
BBB+ to BBB- Fitch	-	6,881,013	-	-	6,881,013	9
BBB+ to BBB- LRA	-	155,428	-	-	155,428	-
BB+ to BB- Fitch	-	90,096	-	-	90,096	-
Unrated	-	209,852	-	-	209,852	-
Fixed deposits						
Deposit with Licensed Commercial Banks	-	64,359	-	-	64,359	-
Asset Backed Securities	-	306,697	-	-	306,697	1
Unit Trust	-	-	-	4,181,198	4,181,198	5
Total	40,777,419	10,849,760	22,797,716	4,345,709	78,770,604	100
Past due but not impaired	Nil	Nil	Nil	Nil	Nil	
Impaired	Nil	Nil	Nil	Nil	Nil	

As at 31 December 2022 Rs. '000	Held to maturity financial assets	Loans and receivables	Available for sale financial assets	Financial assets at fair value through profit or loss	Total	%
Maximum exposure to credit risk, carrying amount	36,044,803	13,008,194	11,704,394	-	60,757,391	
Government securities and related institutions						
Treasury Bonds	35,238,934	-	11,704,394	-	46,943,328	76
Treasury Bills	805,869	-	-	-	805,869	1
Reverse Repo	-	1,539,255	-	-	1,539,255	3
Corporate debt securities						
AA+ to AA - Fitch	-	324,720	-	-	324,720	1
AA+ to AA- ICRA	-	551,841	-	-	551,841	1
A+ to A- Fitch	-	4,823,448	-	-	4,823,448	8
A+ to A- ICRA	-	514,624	-	-	514,624	1
BBB+ to BBB- Fitch	-	4,196,146	-	-	4,196,146	7
Unrated	-	209,877	-	-	209,877	-
Fixed deposits						
Deposit with Licensed Commercial Banks	-	541,402	-	-	541,402	1
Asset Backed Securities	-	306,881	-	-	306,881	1
Total	36,044,803	13,008,194	11,704,394	-	60,757,391	100
Past due but not impaired	Nil	Nil	Nil	Nil	Nil	
Impaired	Nil	Nil	Nil	Nil	Nil	

Exposure To Credit Risk Rating-Class Wise (%)



Collateral of Debt Securities

Reverse repo investments which fall under government securities is backed by Treasury bills and bonds which are provided as collateral. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. The Company held collateral for reverse repo investments above its investment value at all times during the year. As at the reporting date, the Company held Treasury bonds and Treasury bills worth Rs. 200 million as collateral for reverse repo investments amounting to Rs. 175 million.

Credit Risk Related to Policy Loans and Others

Financial losses could arise due to non-settlement of loans obtained by policyholders.

Risk Response

- Policy loans are collateralised by the surrender value of the policy.
- System controls are in place to automatically convert a policy to surrender stage when the policy loan amount together with the interest reaches the surrender value of the policy.

Analysis of maximum exposure to credit risk related to life policyholder loans based on loan grant date can be summarised as follows;

As at 31 December	2023 Rs. '000	2022 Rs. '000
Neither past due nor impaired		
0 - 60 days	104,052	65,614
61- 90 days	48,799	35,025
91-180 days	115,361	91,363
181 days +	2,099,809	1,926,114
Past due but not impaired	Nil	Nil
Total	2,368,021	2,118,116
Provision for impairment	-	-
Total - Maximum exposure to credit risk	2,368,021	2,118,116

The Company considers the surrender value of the life policy as collateral for loans issued. As at the reporting date, the value of policy loans outstanding amounted to Rs. 2,368 million (2022 - Rs. 2,118 million) and its related surrender value is Rs. 3,740 million (2022 - Rs. 3,401 million).

Credit Risk Related to Amounts Due From Related Parties

Financial losses could arise due to non-settlement of amounts due from related parties.

Risk Response

- Related party transaction are settled within pre-agreed specific duration according to the Company policy.

Credit Risk Related to Reinsurance Assets

- This is the risk of reinsurers failing to fulfil their financial obligations towards the Company.

Risk Response

- The Company operates a policy to manage its reinsurance counterparty exposures, by limiting the reinsurers that may be used, and applying strict limits to each reinsurer.
- Regular review of creditworthiness of reinsurers.

As at 31 December	2023		2022	
	Rs. '000	%	Rs. '000	%
Reinsurance receivables on outstanding claims	199,700	45	239,371	43
Reinsurance receivables on settled claims	247,858	55	317,614	57
Total reinsurance receivables / Maximum exposure to credit risk	447,558	100	556,985	100

As at 31 December 2023, 100% (2022 - 100%) of our reinsurance receivables was due from reinsurers with a rating of AA- or above. There were no collateral against reinsurance receivables as at reporting date.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December Reinsurers	Rating Agency	Rating	2023		2022	
			Reinsurance receivables	%	Reinsurance receivables	%
Munich	Fitch	AA	372,056	83	496,110	88
Hannover	Standard & Poor's	AA-	71,469	16	53,199	10
RGA	Standard & Poor's	AA-	4,033	1	7,676	2
Total			447,558	100	556,985	100

Credit Risk Related to Premiums Receivable

Premiums receivable consist of premiums receivable from intermediaries that create the risk of financial losses due to non-settlement of dues or taking substantial time to settle dues.

Risk Response

- Only designated institutions are employed as intermediary parties
- Agreements have been signed with the intermediaries committing them to settle dues within a specified time period.

Maximum exposure to credit risk related to premium receivables as at 31 December 2023 is Rs. 1,051 million (2022 - Rs. 878 million).

As at 31 December	2023 Rs. '000	2022 Rs. '000
Neither past due nor impaired		
0 - 30 days	1,027,213	846,213
More than 30 days	24,231	32,228
Pass due but not impaired	Nil	Nil
Total - Maximum exposure to credit risk	1,051,444	878,441

Credit Risk Related to Cash At Bank

Risk Response

The Company maintains an authorised list of acceptable bank counterparties based on current ratings and economic outlook, taking into account analysis of fundamentals and market indicators.

The Company manages credit risk by maintaining its deposits with various banking institutions with quality credit ratings. A list of such banking partners is provided below. Majority, i.e 35% of funds are deposited in banking institutions backed by the government of Sri Lanka.

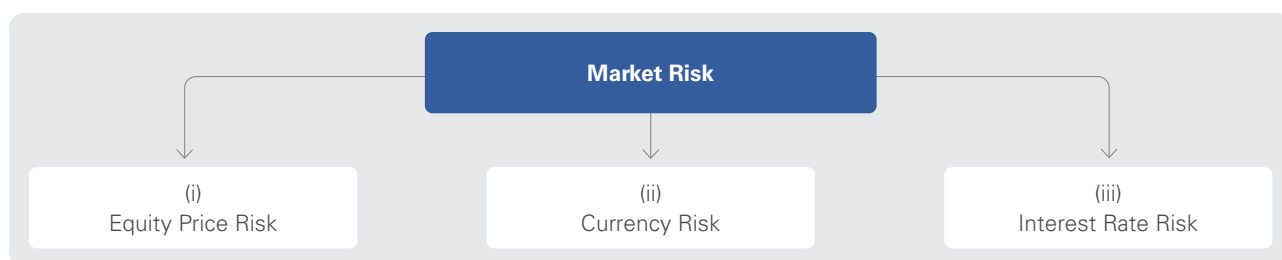
Bank	2023		2022	
	Rs. '000	%	Rs. '000	%
Bank of Ceylon	251,783	30	292,502	31
Commercial Bank of Ceylon PLC	153,802	18	101,063	11
Deutsche Bank AG	29,509	4	53,670	6
DFCC Bank PLC	89	-	77	-
HDFC Bank of Sri Lanka	116	-	7	-
Hatton National Bank PLC	17,260	2	14,262	1
National Development Bank PLC	5,664	1	4,942	1
National Savings Bank	19,256	2	22,612	2
Nations Trust Bank PLC	115,795	14	108,761	11
Pan Asia Bank	719	-	736	-
People's Bank	26,472	3	20,313	2
Sampath Bank PLC	42,687	5	82,039	9
Standard Chartered Bank	14,792	2	114,141	12
Seylan Bank PLC	16,205	2	11,635	1
Union Bank of Colombo PLC	141,655	17	121,847	13
Total cash at bank	835,804	100	948,607	100

The Company held cash at bank of Rs. 836 million as at 31 December 2023 (2022 - Rs. 949 million). The cash at bank are held with banks and financial institutional counterparties, which are rated BB+ or better as at 31 December 2023.

As at 31 December Rating	2023		2022	
	Amount Rs. '000	%	Amount Rs. '000	%
AAA	34,048	4	136,753	14
AA-	-	-	510,179	54
A+	-	-	77	-
A	492,002	59	125,338	13
A-	167,264	20	-	-
BBB+	-	-	53,670	6
BBB-	142,374	17	122,583	13
BB+	116	-	7	-
Total	835,804	100	948,607	100

7.2 (d) Market Risk

This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market prices. The Company has assessed the market risk under three main categories;



i Equity Price Risk

Listed equity securities are susceptible to market price risk arising from uncertainties of future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity portfolio investments.

Continuation of IMF programme along with the reforms improving investor confidence and downward trend in interest rates led to a improvement in performance of equity market in 2023.

Risk Response

- ⊙ Equity investment decisions are based on fundamentals rather than on speculation.
- ⊙ Decisions are based on in depth macroeconomic and industry analysis as well as research reports on Company performance.
- ⊙ A model to review the market price fluctuation of equity portfolio has been developed and significant deviations are identified and discussed with the external asset manager.
- ⊙ Outsourced management of the equity portfolio to a third party to leverage on expert knowledge and optimise return and manage risk.
- ⊙ Reviews were carried out on a continuous basis by the Investment Committee with the help of industry specialists to identify red flags.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2023, the Company has invested 5% (2022 - 3%) in equity as shown in the table below.

As at 31 December Rs.'000	2023		2022	
	Value	% of allocation	Value	% of allocation
Application Software	-	-	53,685	-
Banks	1,275,919	2	60,423	-
Capital Goods	1,285,343	2	900,636	1
Consumer Durables & Apparel	236,584	-	392,590	1
Consumer Services	66,995	-	149,521	-
Diversified Financials	29,872	-	-	-
Energy	-	-	222,522	-
Food Beverage & Tobacco	468,086	1	275,012	-
Materials	355,823	-	654,852	1
Real Estate	1,340	-	-	-
Retailing	8,676	-	-	-
Transportation	-	-	127,711	-
Telecommunication Services	213,454	-	123,483	-
Total value of equity	3,942,092	5	2,960,435	3
Total value of investments	82,712,696		63,717,826	

The following shows the estimated impact from a 10% change in the stock market prices on the portfolio with indicative comparatives.

Sensitivity of Fund Inflow to Change in Equity Prices

As at 31 December	2023	2022
	Impact on fund inflow	Impact on fund inflow
10% increase in equity prices	394,209	296,044
10% decrease in equity prices	(394,209)	(296,044)

ii Currency Risk

Currency risk is the risk that the fair value / present value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

In 2023, there was a slight appreciation of the Sri Lankan Rupee. Managing to secure first tranche of USD 337 million of the IMF extended fund facility in 2023, increase in tourist arrivals, normalizing foreign worker remittances and stringent measures on imports contributed towards increase in foreign currency reserves. With such developments, the Central bank of Sri Lanka gradually removed the restrictions on foreign currency transactions during the year.

The Company's principal transactions are carried out in Sri Lankan Rupees and its exposure to foreign exchange risk primarily arises when transacting with professional service providers and software vendors who operate outside the country. There are no material transactions and balances in foreign currency for the financial year.

Risk Response

- ⊙ The Company does not carry foreign currency dominated assets or liabilities and any foreign payment is promptly processed.
- ⊙ Prioritising critical foreign currency payments with bank partners to ensure continuous settling of foreign currency payments.
- ⊙ As agreed with reinsurers settling net reinsurance payment after setting off reinsurance receivable against reinsurance payable.

iii Interest Rate Risk

Interest rate risk is the risk of fluctuation of the value or cash flows of an instrument due to changes in market interest rates. Floating rate instruments expose the Company to cash flow fluctuations, whereas fixed interest rate instruments expose the Company to changes in fair values.

The Central Bank of Sri Lanka (CBSL) continued tight monetary policy during the first half of 2023 resulted a containment of inflation to single digits. With the disinflation, the CBSL introduced policy rate cuts and lowered the policy rates by 550 basis points from June

2023. The company continued to capitalize on higher interest rate environment during the first half of the year and locked in considerable value of cash at higher rate in a long term investment horizon. This resulted an increase in interest income. However, with announcement of domestic debt restructure program, the entire landscape has changed. The interest rates came down during the second half of the year.

Risk Response

- ⊙ The Investment Committee keeps a regular track of macroeconomic scenarios and their likely impact on interest rates and corresponding impact on the investment portfolio.
- ⊙ Monthly review of upcoming cash flows and established suitable investment strategies to take advantages of the volatility in interest rates.
- ⊙ Proactively evaluate and execute forward purchases to lock in future cash flows at favourable interest rates.
- ⊙ Initial recognition of investments is closely monitored.
- ⊙ Re-design of investment portfolio to keep in par with the interest rate movements.

The following provides details of the quantum of investment exposed to fluctuations in fair values and cash flows.

As at 31 December Instruments	2023			2022		
	Fixed Interest Rate	Variable Interest Rate	Non-Interest bearing	Fixed Interest Rate	Variable Interest Rate	Non-Interest bearing
Government securities	63,914,588	-	-	49,288,452	-	-
Corporate debts	9,613,875	689,887	-	9,977,058	643,598	-
Fixed deposits	64,359	-	-	541,402	-	-
Asset backed securities	306,697	-	-	306,881	-	-
Unit trust	-	-	4,181,198	-	-	-
Equity instruments	-	-	3,942,092	-	-	2,960,435
Total	73,899,519	689,887	8,123,290	60,113,793	643,598	2,960,435

Sensitivity analysis

Rs. '000	2023		2022	
	Impact on fund inflow	Impact on equity and reserves	Impact on fund inflow	Impact on equity and reserves
+100 basis points	(9,336)	9,336	(10,520)	10,520
-100 basis points	9,569	(9,569)	10,812	(10,812)

NOTES TO THE FINANCIAL STATEMENTS

Sensitivity analysis

The following table shows the estimated impact on profitability and equity by fluctuation of interest rates on fixed rate available for sale and fair value through profit or loss.

Rs. '000		2023		2022	
		Impact on fund inflow	Impact on equity and reserves	Impact on fund inflow	Impact on equity and reserves
+100 basis points	AFS	(562,736)	562,736	(273,725)	273,725
+100 basis points	FVTPL	(3,529)	3,529	-	-
-100 basis points	AFS	588,087	(588,087)	289,162	(289,162)
-100 basis points	FVTPL	3,771	(3,771)	-	-

7.3 Operational Risk

Risk is stemming from inadequate or failed internal processes, people and systems, or from external events. The Board of Directors has delegated responsibility for operational risk to risk owners and managers who are responsible for the development and implementation of controls to address operational risks. This responsibility is supported by the development of overall Company standards for the management of operational risks in the following areas:

- ⊙ Segregation of duties, including the independent authorisation of transactions.
- ⊙ Reconciliation and monitoring of transactions.
- ⊙ Compliance with regulatory and other legal requirements.
- ⊙ Documentation of controls and procedures.
- ⊙ Periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- ⊙ Reporting of operational losses and proposed remedial action.
- ⊙ Development of contingency plans.
- ⊙ Training and professional development.
- ⊙ Ethical and business standards.
- ⊙ Risk mitigation, including insurance, where it is cost effective.
- ⊙ Compliance with Company standards, policies and procedures is supported by a programme of periodic reviews undertaken by internal audit.
- ⊙ The results of internal audit reviews are discussed with the Management and representative from Group risk, with summaries submitted to the BACC and the Board.

7.3 (a) Risks associated with SLFRS 17 implementation and risk mitigation actions

Risk Type	Risks	Risk source	Mitigation actions
Operational Risk	Inadequate SLFRS 17 Understanding- standard being nascent, comprehensive gaps	Lack of comprehensive training, awareness programs and resource limitations	Conduct extensive SLFRS 17 training sessions and engage external experts for specialized workshops and periodically review resource allocation to ensure sufficiency.
	Implementation Delays – Timelines jeopardized, potential costs	Inadequate project planning and monitoring	Develop a detailed project plan with clear milestones, regularly monitor progress, and proactively address potential bottlenecks
	System Integration Challenges- Integration disrupts financial processes	Insufficient testing and evaluation before integration	Conduct thorough system testing before full implementation and establish a dedicated team for quick issue resolution
	Data Migration Complications- Risks during migration process	Lack of thorough data validation procedures	Implement rigorous data validation procedures and perform trial migrations to identify and rectify discrepancies
	Cybersecurity Threats- Threats during data transition	Vulnerabilities during data transition processes.	Implement robust cybersecurity measures, regularly update and test security protocols to safeguard sensitive financial data
Financial Risk	Increased Reporting Complexity- SLFRS 17 adds complexity	Inadequate preparation for the complexities introduced by SLFRS 17	Invest in robust financial reporting software and provide ongoing training and support to enhance reporting proficiency
	Inaccurate Post-Implementation Statements- Risk of post-SLFRS 17 inaccuracies	Lack of reconciliation checks and parallel run procedures	Conduct extensive reconciliation checks during the transition period and implement parallel runs with old and new standards and progressive audits by external auditors KPMG.
	Vendor Reliability Issues- Vendor service reliability risks	Dependence on vendors with uncertain reliability	Choose reputable vendors with clear service level agreements (SLAs) for ongoing support and updates
Strategic Risk	Investor Confidence Erosion- Risk of diminished investor confidence	Insufficient communication and transparency with investors	Enhance communication strategies, provide transparent updates to investors and highlight positive aspects of the SLFRS 17 implementation
	Performance Management Issues- Challenges in managing organizational performance	Ineffective performance management systems and oversight.	Implement robust performance management systems, set clear performance metrics and conduct regular reviews.
Regulatory Risk	Regulatory Reporting For post IFRS 17 regime	Limited awareness and monitoring of regulatory developments.	Maintain proactive relationships with regulatory bodies in order for timely adoption.

NOTES TO THE FINANCIAL STATEMENTS

7.4 Capital Management

Objectives, Policies and Processes for Capital Management

For the purpose of the Company's capital management, capital includes stated capital, reserves and retained earnings. The primary objectives of the Company's capital management are to maximise shareholder returns, share price appreciation, sustain financial stability and financial strength.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and regulatory requirements. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using the Risk Based Capital method.

In terms of using capital, the Company engages in following value adding processes in order to provide the desired output to it's varied stakeholders, while maintaining the right balance of risk based capital required.

- ⊙ Providing financial security to citizens (Underwriting process)
- ⊙ Management of overall business operations
- ⊙ Prudent investments and risk management
- ⊙ Delivering benefits and claims assured
- ⊙ Closely follow up RBC guidelines issued by IRCSL

The Company has adequate Total Available Capital (TAC) to support the Risk-Based Capital Required (RCR) or Surrender Value Capital Charge (SVCC) whichever is higher.

Summary Quantitative Data

As at 31 December	2023 Rs. '000	2022 Rs. '000
Total Available Capital (TAC)	31,360,195	24,777,213
Formula Risk Based Capital Required (RCR)	10,773,229	9,472,265
Surrender Value Capital Charge (SVCC)	-	12,777,166
Risk based Capital requirement (RCR)	10,773,229	12,777,166
Capital Adequacy Ratio (CAR)	291%	194%

8 FAIR VALUE MEASUREMENT AND RELATED FAIR VALUE DISCLOSURES

Financial instruments and non-financial assets disclosed at fair value or that are measured at fair value are given in this note. Aside from this note, additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are also provided in;

Property, plant and equipment under revaluation model	Note 27
Financial instruments (Including those carried at amortised cost)	Note 30

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at 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 a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The 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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Independent external professional valuers are involved for valuation of significant assets such as land and buildings.

Fair value hierarchy

The Company measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

Level 1

Inputs that are unadjusted quoted market prices in an active market for identical instruments

When available, the Company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Inputs other than quoted prices included within level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)

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 to be less active, or
- ⊗ other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3

Inputs that are unobservable

This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's value.

Valuation techniques include net present value and discounted cash flow model comparisons with similar instruments for which observable market prices exist, option pricing models and other valuation models.

Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and government securities such as treasury bills and bonds. Availability of observable prices and model inputs reduces the need for management judgement and estimation while reducing uncertainty associated in determining the fair values.

Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss), is deferred and recognised only when the inputs become observable or on recognition of the instrument.

NOTES TO THE FINANCIAL STATEMENTS

The following note explains the methodology for valuing our financial and non-financial assets and provides an analysis of these according to the 'fair value hierarchy'.

Instrument Category	Fair value basis	Fair value hierarchy
Government Securities		
Treasury Bonds	Valued using the market yield	Level 1
Treasury Bills	Valued using the market yield	Level 1
Investment in Shares		
Investment in Listed Shares	Closing Market prices	Level 1
Unit Trusts	Closing Unit prices	Level 1
Corporate Debt		
Listed	Published Market Prices	Level 1 / Level 2*
Land and Building	Market Comparable Method / Investment Method	Level 3

*Listed corporate debts which have been traded during the period have been classified under Level 1 and others under level 2.

Use of Judgements and Estimates

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible.

Where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

8.1 Valuation framework

The Company has established a control framework with respect to the measurement of fair values of investments. The Investment Committee has overall responsibility for the results of trading and investment operations and all significant fair value measurements carried out by the Investment Division, which include;

- ⊙ Verification of observable pricing.
- ⊙ Re-performance of model valuations.
- ⊙ Quarterly calibration and back-testing of models against observed market transactions.
- ⊙ Review of significant unobservable inputs, valuation, adjustments and significant changes of the fair value measurement of level 3 instruments compared with the previous year

When third party information, such as broker quotes or pricing services are used to measure fair value, documentary evidence is obtained from third parties to support the conclusion that such valuations meet the requirements of SLFRSs / LKASs.

8.2 Assets measured at fair value

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. Whenever available, quoted prices in active markets are obtained for identical assets at the reporting date to measure fixed maturity securities at fair value in trading and AFS portfolios. Market price data is generally obtained from dealer markets.

As at 31 December Rs'000		Fair value hierarchy							
		2023				2022			
Note		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Non-Financial Assets									
Property, Plant & Equipment									
Land and Building	27.1	-	-	2,731,000	2,731,000	-	-	2,439,901	2,439,901
Total Non-Financial Assets at Fair Value		-	-	2,731,000	2,731,000	-	-	2,439,901	2,439,901
Financial Assets									
Financial assets at FVTPL									
Financial assets held for trading:									
Equity securities	30.6	3,942,092	-	-	3,942,092	2,960,435	-	-	2,960,435
Unit trusts	30.6	4,181,198	-	-	4,181,198	-	-	-	-
Government securities	30.6	164,511	-	-	164,511	-	-	-	-
Designated at FVTPL									
Investments for the benefit of Life insurance policyholders who bear the investment risk									
Equity securities	30.6	407,186	-	-	407,186	371,242	-	-	371,242
Debt securities	30.6	-	65,392	-	65,392	-	104,573	-	104,573
Government securities	30.6	195,160	39,268	-	234,428	103,919	158,369	-	262,288
Unit trusts	30.6	71	-	-	71	-	-	-	-
		8,890,218	104,660	-	8,994,878	3,435,596	262,942	-	3,698,538
AFS financial assets:									
Treasury bills	30.5	2,392,206	-	-	2,392,206	-	-	-	-
Treasury bonds	30.5	20,405,510	-	-	20,405,510	11,704,394	-	-	11,704,394
		22,797,716	-	-	22,797,716	11,704,394	-	-	11,704,394
Total of financial assets carried at fair value		31,687,934	104,660	-	31,792,594	15,139,990	262,942	-	15,402,932
Total of assets carried at fair value		31,687,934	104,660	2,731,000	34,523,594	15,139,990	262,942	2,439,901	17,842,833

8.3 Transfer between levels

There were no transfers in 2023.

NOTES TO THE FINANCIAL STATEMENTS

8.4 Financial assets and liabilities not measured at fair value

It is assumed that the following financial assets and liabilities have a short term maturity and the carrying amounts approximate their fair values.

As at 31 December	2023 Rs. '000	2022 Rs. '000
Financial Assets		
Reinsurance receivable	447,558	556,985
Premiums receivable	1,051,444	878,441
Receivables and other assets	348,966	355,046
Loans to life policyholders*	2,368,021	2,118,116
Cash in hand and at bank	839,475	952,332
Financial Liabilities		
Reinsurance payables	365,027	636,154
Lease liabilities	422,540	448,719
Other financial liabilities	2,465,534	2,183,379
Bank overdraft	122,560	228,479

*The fair value of policyholder loans are equal to its carrying value as those are given at competitive market rates.

8.5 Fixed rate financial instruments

The fair value of fixed rate financial investments carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on observable market inputs.

Table below analyses the fair value of financial investments carried at amortised cost in to their levels in fair value hierarchy.

As at 31 December		Fair value hierarchy									
		Note	2023					2022			
Rs'000		Amortised cost	Level 1	Level 2	Level 3	Total	Amortised cost	Level 1	Level 2	Level 3	Total
HTM financial assets											
Treasury bonds	30.3	40,777,419	42,287,851	-	-	42,287,851	35,238,934	22,404,598	-	-	22,404,598
Treasury bills	30.3	-	-	-	-	-	805,869	811,539	-	-	811,539
		40,777,419	42,287,851	-	-	42,287,851	36,044,803	23,216,137	-	-	23,216,137
L & R financial assets											
Asset backed securities	30.4	306,697	-	307,008	-	307,008	306,881	-	307,175	-	307,175
Bank deposits	30.4	64,359	-	64,359	-	64,359	541,402	-	541,402	-	541,402
Debentures	30.4	10,303,762	-	9,710,883	-	9,710,883	10,620,656	77,543	7,823,068	-	7,900,611
Reverse repurchase agreements	30.4	174,942	-	174,942	-	174,942	1,539,255	-	1,539,255	-	1,539,255
		10,849,760	-	10,257,192	-	10,257,192	13,008,194	77,543	10,210,900	-	10,288,443
Total of fair values of financial investments not measured at fair value											
		51,627,179	42,287,851	10,257,192	-	52,545,043	49,052,997	23,293,680	10,210,900	-	33,504,580

9 GROSS WRITTEN PREMIUM (GWP)

Accounting Policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Gross written premiums on life and investment contracts with discretionary participating features (DPF) are recognised as revenue when receivable from the policyholder (policies within the 30 day grace period are considered as due). For single premium business, revenue is recognised on the date on which the policy is effective.

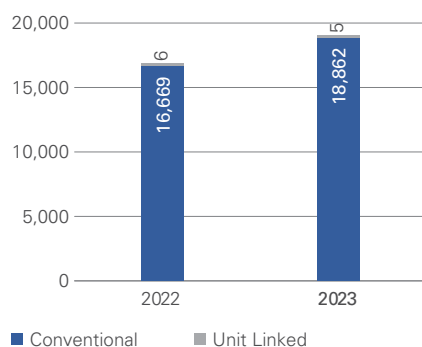
Premiums received in advance are not recorded as revenue and recorded as liability until the premium is due unless otherwise the relevant policy conditions require such premiums to be recognised as income. Benefits and expenses are provided against such revenue to recognise profits over the estimated life of the policies.

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Conventional	18,861,760	16,669,016
Unit linked	5,225	6,037
Total gross written premium	18,866,985	16,675,053

For the year ended 31 December Rs. '000	2023			2022		
	Conventional	Unit linked	Total	Conventional	Unit linked	Total
Individual policies						
First year premium	5,500,718	-	5,500,718	4,666,345	-	4,666,345
Renewal premium	12,620,123	5,225	12,625,348	11,389,592	6,037	11,395,629
Single premium	59,867	-	59,867	185,092	-	185,092
	18,180,708	5,225	18,185,933	16,241,029	6,037	16,247,066
Corporate policies						
New business premium	346,133	-	346,133	169,143	-	169,143
Renewal premium	334,919	-	334,919	258,844	-	258,844
	681,052	-	681,052	427,987	-	427,987
Total gross written premium	18,861,760	5,225	18,866,985	16,669,016	6,037	16,675,053

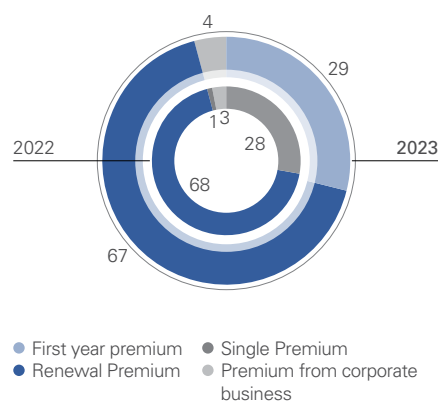
Gross Written Premium

(Rs. mn)



Composition of GWP

(%)



NOTES TO THE FINANCIAL STATEMENTS

10 PREMIUM CEDED TO REINSURERS

Accounting Policy

Reinsurance premiums on life and investment contracts are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective. Value of the premiums are decided on the rates agreed with reinsurers and accounted on an accrual basis.

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Conventional	1,031,921	886,713
Unit linked	669	833
Total premium ceded to reinsurers	1,032,590	887,546

11 NET INVESTMENT INCOME

Accounting Policy

Investment income comprises interest income on funds invested (including AFS financial assets) and dividend income.

Interest income is recognised in the income statement as it accrues and is calculated by using the Effective Interest Rate method (EIR). The effective interest rate is the rate that exactly discounts the estimated future cash receipt or payments through the expected life of the financial assets or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial assets or liabilities. When calculating the EIR, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the EIR includes all transaction costs and fees that are an integral part of the EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the EIR of the instrument.

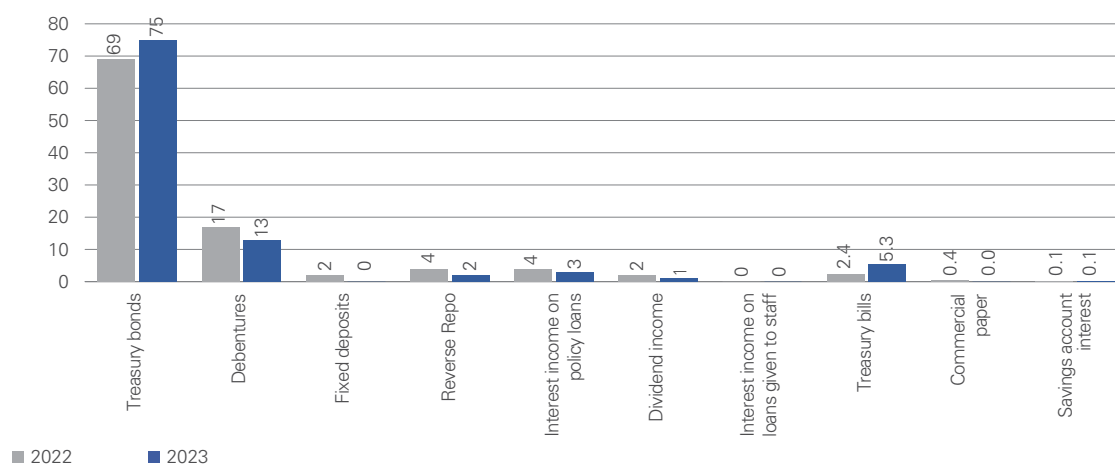
Investment related expenses consist of costs relating to investment such as custodial fee, bank guarantee fee and brokerage fee, etc. These expenses are recognised on an accrual basis.

Dividends on equity investments are recognised in the income statement when the right to receive payment is established which is on the date at which the investment is priced 'ex dividend'.

For the year ended 31 December	Note	2023 Rs. '000	2022 Rs. '000
Investment income from;			
Held to maturity financial assets	11.1	5,032,350	3,720,505
Loans and receivables	11.2	2,036,177	1,999,542
Available for sale financial assets	11.3	3,601,494	1,660,623
Financial assets at fair value through profit or loss	11.4	276,657	194,628
Investment related expenses		(129,953)	(96,285)
Total net investment income		10,816,725	7,479,013

Composition of Investment Income

(%)



11.1 Investment Income from Held to Maturity Financial Assets

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Interest income		
Debentures	-	19,866
Treasury bills	42,131	153,477
Treasury bonds	4,990,219	3,547,162
	5,032,350	3,720,505

11.2 Investment Income from Loans and Receivables

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Interest income		
Interest income on policy loans	359,168	286,039
Reverse repurchase agreements	154,170	286,895
Fixed deposits	46,896	115,050
Interest income on loans given to staff	27,292	22,189
Debentures	1,410,120	1,219,572
Commercial paper	-	30,875
Assets backed securities	30,433	30,423
Savings account interest	8,098	8,499
	2,036,177	1,999,542

11.3 Investment Income from Available for Sale Financial Assets

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Interest income		
Treasury bonds	3,069,784	1,630,180
Treasury bills	531,710	30,443
	3,601,494	1,660,623

11.4 Investment Income from Fair Value Through Profit or Loss

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Interest income		
Treasury bills	8,574	500
Treasury bonds	100,147	15,183
Debentures	11,505	16,393
Reverse repurchase agreements	10,757	20,829
	130,983	52,905
Dividend income		
Held for trading - Conventional	129,505	122,308
Held for trading - Unit linked	16,169	19,415
	145,674	141,723
	276,657	194,628

12 NET REALISED GAINS/ (LOSSES)**Accounting Policy**

Realised gains and losses recorded in the income statement on investments include gains and losses on sale of financial assets.

Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the carrying value, and are recorded on occurrence of the sale transaction.

On derecognition of an investment classified as AFS, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement.

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Realised gains	1,085,213	779,025
Realised losses	(317,608)	(513,448)
Total net realised gains/ (losses)	767,605	265,577

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December Rs.'000	2023			2022		
	Realised gains	Realised losses	Net realised gains / (losses)	Realised gains	Realised losses	Net realised gains / (losses)
Available for sale financial assets						
Treasury Bills	-	-	-	-	(1,557)	(1,557)
Treasury Bonds	485,901	(57,106)	428,795	11,461	(41,857)	(30,396)
	485,901	(57,106)	428,795	11,461	(43,414)	(31,953)
Fair value through profit or loss financial assets						
Treasury bonds	122,043	(558)	121,485	468	-	468
Unit trusts	113,618	-	113,618	61,347	-	61,347
Quoted equity securities	363,641	(259,944)	103,697	705,749	(470,034)	235,715
	599,302	(260,502)	338,800	767,564	(470,034)	297,530
Loans and receivables						
Debentures	10	-	10	-	-	-
	10	-	10	-	-	-
	1,085,213	(317,608)	767,605	779,025	(513,448)	265,577

13 NET FAIR VALUE GAINS / (LOSSES)

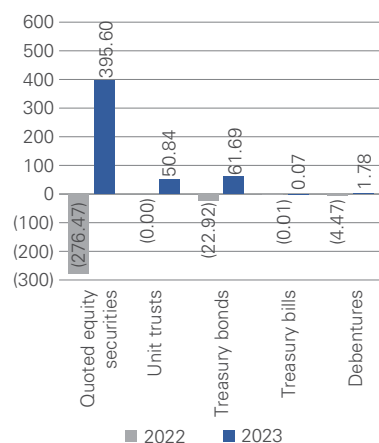
Accounting Policy

Fair value gains and losses recorded in the income statement on investments include fair value gains / losses on financial assets at FVTPL.

For the year ended 31 December	2023	2022
	Rs. '000	Rs. '000
Fair value through profit or loss financial assets		
Quoted equity securities	395,600	(276,469)
Unit trusts	50,838	-
Treasury bonds	61,694	(22,917)
Treasury bills	72	(5)
Debentures	1,781	(4,471)
Total net fair value gains / (losses)	509,985	(303,862)

Net Fair Value Gains / (Losses)

(Rs. Mn)



14 OTHER INCOME

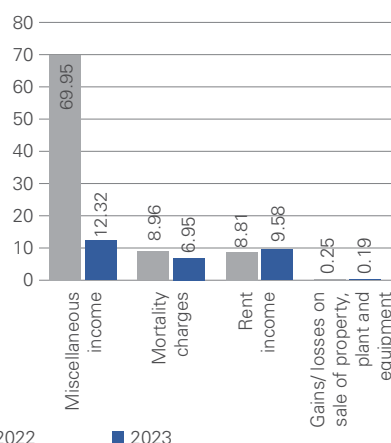
Accounting Policy

Other income comprises disposal gains / losses on property, plant and equipment, mortality charges, surrender charges, rent income and miscellaneous income.

For the year ended 31 December	2023	2022
	Rs. '000	Rs. '000
Mortality charges	6,948	8,961
Miscellaneous income	12,316	69,950
Rent income	9,579	8,813
Gains on sale of property, plant and equipment	189	249
Total other income	29,032	87,973

Other Income

(Rs. Mn)



15 NET INSURANCE BENEFITS AND CLAIMS PAID

Accounting Policy

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year, including internal and external claims handling costs that are directly related to the processing and settlement of claims and policyholder bonuses declared on DPF contracts. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

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

For the year ended 31 December	2023			2022		
	Gross claims paid	Claims recovered from reinsurers	Net claims paid	Gross claims paid	Claims recovered from reinsurers	Net claims paid
Rs.'000						
Death, disability and hospitalisation	1,868,879	(976,674)	892,205	1,335,344	(1,110,460)	224,884
Surrenders	2,336,365	-	2,336,365	1,798,245	-	1,798,245
Annuity payments	234,774	-	234,774	286,423	-	286,423
Policy maturities	3,164,712	-	3,164,712	2,889,717	-	2,889,717
Total net life insurance claims and benefits	7,604,730	(976,674)	6,628,056	6,309,729	(1,110,460)	5,199,269

16 NET CHANGE IN INSURANCE CLAIMS OUTSTANDING

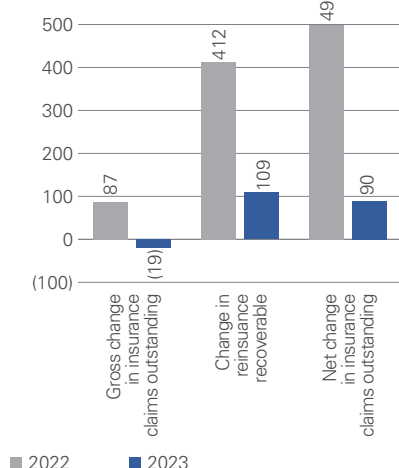
Accounting Policy

Differences between the estimated cost and subsequent settlement of claims or re-estimated costs are recognised in the income statement in the year in which they are settled or in which the insurance contract liabilities are re-estimated. Net change in insurance claims outstanding is recognised in the income statement.

For the year ended 31 December	2023			2022		
	Gross change in insurance claims outstanding	Change in reinsurance recoverable	Net change in insurance claims outstanding	Gross change in insurance claims outstanding	Change in reinsurance recoverable	Net change in insurance claims outstanding
Rs.'000						
Death, disability and hospitalisation	(29,436)	109,427	79,991	97,719	412,460	510,179
Surrenders	210	-	210	-	-	-
Annuity payments	9,887	-	9,887	(10,406)	-	(10,406)
Policy maturities	(14)	-	(14)	(383)	-	(383)
Total net change in insurance claims outstanding	(19,353)	109,427	90,074	86,930	412,460	499,390

NOTES TO THE FINANCIAL STATEMENTS

Changes in Insurance Claims Outstanding
(Rs. Mn)



16.1 Net Insurance Benefits and Claims Expense

For the year ended 31 December	Note	2023 Rs. '000	2022 Rs. '000
Net insurance benefits and claims paid	15	6,628,056	5,199,269
Net change in insurance claims outstanding	16	90,074	499,390
Total net insurance benefits and claims expense		6,718,130	5,698,659

17 CHANGE IN CONTRACT LIABILITIES - LIFE FUND

Accounting Policy

Changes in the valuation of insurance contract liabilities are recognised in the income statement under change in contract liabilities.

Actuarial valuation of life insurance fund

The Directors are satisfied with the provision relating to long term insurances contract liabilities of the Company as at the year end as certified by the Appointed Actuary following his annual review of the valuation on the Life Insurance Fund. The actuarial valuation takes into account all liabilities and is based on assumptions recommended by the appointed actuary.

The appointed actuary's report is provided on page 193.

For the year ended 31 December Rs. '000	Note	2023			2022		
		Gross	Reinsurance	Net	Gross	Reinsurance	Net
Premiums written	9/10	18,866,985	(1,032,590)	17,834,395	16,675,053	(887,546)	15,787,507
Insurance benefits and claims incurred	16.1	(7,585,376)	867,246	(6,718,130)	(6,396,658)	697,999	(5,698,659)
Underwriting and net acquisition costs (including reinsurance)	18	(3,640,326)	96,327	(3,543,999)	(3,191,141)	38,850	(3,152,291)
Other operating, selling and administrative expenses attributable to policyholders		(5,471,654)	-	(5,471,654)	(4,440,763)	-	(4,440,763)
Investment and other income attributable to policyholders		10,531,130	-	10,531,130	6,277,385	-	6,277,385
Surplus from life insurance fund transferred to Life shareholder's fund		(2,800,000)	-	(2,800,000)	(2,300,000)	-	(2,300,000)
Change in contract liabilities - Life Fund		9,900,759	(69,017)	9,831,742	6,623,876	(150,697)	6,473,179

18 UNDERWRITING AND NET ACQUISITION COSTS (NET OF REINSURANCE)

Accounting Policy

All acquisition costs are recognised as an expense when incurred. Reinsurance commission income on outward reinsurance contracts is recognised when receivable.

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Acquisition cost	3,640,326	3,191,141
Reinsurance commission (including profit commission)	(96,327)	(38,850)
Total underwriting and net acquisition costs	3,543,999	3,152,291

19 OTHER OPERATING, ADMINISTRATIVE AND SELLING EXPENSES

Accounting Policy

Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the income statement.

For the year ended 31 December	Note	2023 Rs. '000	2022 Rs. '000
Employee benefits expenses	19.1	1,588,951	1,676,001
Administration and establishment expenses		1,920,236	1,593,689
Finance cost and other cost	20.1	50,492	49,367
Selling expenses		816,906	647,617
Total other operating, administrative and selling expenses		4,376,585	3,966,674

19.1 Employee Benefits Expenses

Refer Note 45 for the Accounting Policy.

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 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.

For the year ended 31 December	Note	2023 Rs. '000	2022 Rs. '000
Short term employee benefits			
Staff remuneration		1,324,023	1,291,525
Defined contribution plan cost - EPF	45.1	111,134	100,373
Defined contribution plan cost - ETF	45.1	27,784	25,093
Staff welfare		45,391	38,674
Training expenses		37,068	56,367
Other costs		113,104	79,426
		1,658,504	1,591,458

For the year ended 31 December	Note	2023 Rs. '000	2022 Rs. '000
Long term employee benefits			
Defined benefit plan cost	45.4(a)	49,394	40,207
Share based payment expense	40.3(a)	15,417	9,639
Other long term employee benefit cost - (Reversal) / Charge during the year	45.4(b)	(134,364)	34,697
		(69,553)	84,543
Total employee benefits expenses		1,588,951	1,676,001

20 FINANCE COSTS

Interest cost is recognised using the effective interest rate method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- ⊙ the gross carrying amount of the financial asset; or
- ⊙ the amortised cost of the financial liability.

In calculating interest expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

20.1 Finance Cost and Other Cost

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Interest expenses on lease Liabilities	38,969	33,825
Bank Charges	11,523	15,542
	50,492	49,367

NOTES TO THE FINANCIAL STATEMENTS

21 PROFIT BEFORE TAX

Accounting Policy

Operating profit is the result generated from the continuing principal revenue-producing activities of the Company as well as other income and expenses related to operating activities. Operating profit excludes share of profit of equity-accounted investees and income taxes.

Profit before tax is stated after charging all expenses including the following;

For the year ended 31 December	Note	2023 Rs. '000	2022 Rs. '000
Directors fee and emoluments		311,938	185,252
Auditors remuneration			
Statutory audit and audit related services		5,998	5,940
Non audit related services		1,476	2,600
Legal fees		12,328	7,038
Depreciation of property plant and equipment	27.1	119,838	113,309
Amortisation of intangible assets	26.1	292,331	297,882
Depreciation of Right of use assets	28.1	131,441	123,897
Expenses relating to short term leases	28.1	2,280	2,481
Defined contribution plan			
- EPF	19.1	111,134	100,373
- ETF	19.1	27,784	25,093
Defined benefit plan cost	19.1	49,394	40,207
Other long term employee benefit cost - Charge / (Reversal) during the year	45.4.(b)	(134,364)	34,697
Staff expenses		1,535,003	1,475,631
CSR expenses		9,959	7,479
Gain on sale of property, plant and equipment	14	(189)	(249)
Provision / (Reversals) for impairment of			
-Staff loans	34.1 (a)	-	(10)
-Agent loans	34.2 (a)	3,825	(4,557)

22 INCOME TAX EXPENSE

Accounting Policy

Income tax expense comprises current and deferred tax. Current tax and deferred tax relating to items recognised directly in equity or OCI is recognised in equity or OCI and not in the income statement. Current tax assets and liabilities are offset only if certain criteria are met.

22.1 Current Tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Gains and profits from the Life Insurance Business are ascertained in terms of Section 67 of the Inland Revenue Act No. 24 of 2017 and amendments thereto. As per this section, gains and profits on which tax is payable is the aggregate of;

- ⊙ Surplus distributed to shareholders from the Life insurance policyholders fund as certified by the actuary.
- ⊙ Investment income of the shareholder fund less any expenses incurred in the production of such income.
- ⊙ Surplus distributed to a Life insurance policyholder who shares the profits of a person engaged in the business of life insurance.

Income tax rate of 30% has been applied on the total taxable income in 2023 as per the Inland Revenue (Amendment) Act No. 45 of 2022. (2022 - 50% of taxable income at 24% and 50% of taxable income at 30%)

22.2 Tax Exposures

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities and such changes to tax liabilities will impact tax expense in the period that such a determination is made.

22.3 Crop Insurance Levy

The Crop Insurance Levy was introduced under the provisions of Section 14 of the Finance Act No. 12 of 2013, and came into effect from 1 April 2013. It is payable to the National Insurance Trust Fund and liable at 1 % of the Profit after Tax.

22.4 Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax except;

- ⊙ Where the sales tax incurred on a purchase of asset or service is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- ⊙ Receivables and payables that are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, to the taxation authority is included as a part of receivables or payables in the statement of financial position.

22.5 Deferred Tax

Accounting Policy

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

- ⊙ Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination, that affects neither accounting nor taxable profit or loss and that does not give rise to equal taxable and deductible temporary differences;
- ⊙ Temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- ⊙ Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary difference to the extent that it is probable that future taxable profits will be available against which they can be used. The reversal of relevant taxable temporary differences are determined based on future taxable profits. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversal of existing temporary differences,

are considered, based on the business plans. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Use of Judgements and Estimates

Deferred Tax Assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against which such tax losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

22.6 Amount Recognised in the Profit or Loss

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Current tax expense		
Current tax expense for the year	(1,497,185)	(969,624)
Over/(under) provision of current tax of previous years	-	(3,230)
Income tax reversal / (expenses) recognised in the profit or loss	(1,497,185)	(972,854)

Income tax expenses excludes the Company's share of income tax expenses of equity accounted investee of Rs. 139 million (2022 - Rs. 80 million), which has been deducted from the share of profit of equity accounted investee, net of tax.

NOTES TO THE FINANCIAL STATEMENTS

22.7 Income Tax computation as per IRD Act No. 24 of 2017 and amendments to Act

For the year ended 31 December	Note	2023 Rs. '000	2022 Rs. '000
Surplus distributed to the shareholder from the life fund	42.5	2,800,000	2,300,000
Investment income of the shareholder fund		2,190,617	1,291,199
		4,990,617	3,591,199
Tax payable on shareholder profits		1,497,185	969,624
Surplus distributed to the policyholders who participate in the company's profit		70,497	25,044
Tax on surplus distributed to the policyholders who participate in the company's profit		21,149	6,762
Total Tax Liability		1,518,334	976,386

22.8 Reconciliation of Effective Tax Rate

A reconciliation between tax expense and the product of accounting profit.

For the year ended 31 December	%	2023 Rs. '000	%	2022 Rs. '000
Profit before tax		5,255,550		3,719,959
Tax using the company's domestic tax rate	30%	1,576,665	24%	446,395
Share of profit of equity accounted investee reported net of tax	-3%	(138,687)	30%	557,994
Net aggregate disallowable expenses and tax exempt income	-2%	(80,154)	1%	45,389
Under provision of current tax of previous years	1%	59,207	0%	-
Total income tax expense	28%	1,497,185	26%	972,854

22.9 Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex environment, it assessed whether the Interpretation had an impact on its financial statements. Company determined that it is probable that its tax treatments will be accepted by the taxation authorities.

The Company reviewed its income tax treatments and concluded that no additional provisions required as the company believes that it is probable that the resolution assessments will be favourable to the company. Refer Note 51.1 for the details of the pending tax treatments.

23 EARNINGS PER SHARE

Accounting Policy

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit after tax and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

23.1 Basic Earnings per Share

For the year ended 31 December	2023	2022
Profit after tax (Rs. '000)	3,758,365	2,747,105
Weighted average number of ordinary shares ('000)	589,286	589,286
Basic Earnings Per Share (Rs.)	6.38	4.66

23.2 Diluted Earnings per Share

There was no dilution of ordinary shares outstanding. Therefore, diluted earnings per share is the same as basic earnings per share as shown in Note 23.1.

24 DIVIDENDS PER SHARE

Accounting Policy

In the event of Dividend being declared by the Board of Directors after the reporting date, it will not be recognised as a liability but as a note to the financial statements.

24.1 Dividends Declared During the Year

The Board of Directors of the Company has approved a first and final dividend of Rs. 8.75 per share (2022 - Nil) for the financial year ended 31 December 2023 out of retained earnings.

For the year ended 31 December	2023	2022
Dividend declared (Rs. '000)	5,156,250	-
Number of ordinary shares ('000)	589,286	589,286
Dividend per share (Rs.)	8.75	-

24.1 (a) Compliance with Section 56 and 57 of Companies Act No. 07 of 2007

As required by Section 56 of the Companies Act No. 07 of 2007 the Board of Directors of the Company satisfied the solvency test in accordance with Section 57, prior to declaring the final dividend. A statement of solvency duly completed and signed by the Directors have been audited by Messrs. KPMG.

24.2 Dividend Paid During the Year

For the year ended 31 December	2023	2022
First and final dividend for 2022 - Nil (2021 - Rs. 22 per share)	-	1,296,429

25 FINANCIAL ASSETS AND LIABILITIES

25.1 Non Derivative Financial Assets

Accounting Policy

Initial Recognition and Measurement

The Company initially recognises loans and receivables and deposits on the date that they are originated. Equity and Unit trust investments are initially recognized on the trade date. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the settlement date at which the Company becomes a party to the contractual provisions of the instrument.

In the case of financial assets not measured at fair value through profit or loss, it is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

Income and expenses are presented on a net basis only when permitted under SLFRSs / LKASs, or for gains and losses arising from a group of similar transactions such as the Company's trading activity.

Depending on the intention and ability to hold the invested assets, the financial assets categories and their classification criteria are shown in the table below;

Classification	Classification criteria
Held-To-Maturity (HTM)	Financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold it to maturity.
Loans and Receivables (L&R)	Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.
Fair Value Through Profit or Loss (FVTPL)	Financial assets held for trading and those designated upon initial recognition at FVTPL and investments typically bought with the intention to sell in the near future. For investments designated at FVTPL, the following criteria must be met; ⊙ The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, Or ⊙ The assets and liabilities are part of a Company's financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with the Company's investment strategy.
Available For Sale (AFS)	Financial assets that are designated as AFS and that are not classified in any of the previous categories. AFS financial investments includes debt securities. Securities in this category are those that are intended to be held till maturity and which maybe sold in response to the need for liquidity or in response to changes in the market conditions.

NOTES TO THE FINANCIAL STATEMENTS

Subsequent Measurement

Held-to Maturity Financial Assets (HTM)

Subsequent to initial recognition held to maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR). The EIR amortisation is included in net investment income in the income statement.

Loans and Receivables (L&R)

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Fair Value Through Profit or Loss (FVTPL)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement.

Available for Sale Financial Assets (AFS)

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses on available for sale equity instruments, are recognised in the statement of profit or loss and other comprehensive income and presented within equity in the available for sale reserve.

Company's non-derivative financial assets and their classifications are summarised as follows;

Financial Asset	Category			
	HTM	AFS	L & R	FVTPL
Treasury bonds	✓	✓	-	✓ *
Treasury bills	-	✓	-	✓
Reverse repurchase agreements	-	-	✓	✓ *
Quoted shares	-	-	-	✓ *
Unit trusts	-	-	-	✓ *
Corporate debts	-	-	✓	✓ *
Term deposits	-	-	✓	-
Asset backed securities	-	-	✓	-
Policy loans	-	-	✓	-
Staff and advisor loans	-	-	✓	-
Reinsurance receivable	-	-	✓	-
Premiums receivable	-	-	✓	-
Other receivables	-	-	✓	-
Cash in hand and at bank	-	-	✓	-

* Financial assets are designated as FVTPL relating to Unit Linked fund

Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is 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 has occurred after the initial recognition of the asset and the loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Objective evidence that financial assets (including equity securities) are impaired may include;

- ⊙ Significant financial difficulty of the borrower or user,
- ⊙ Default or delinquency by debtor,
- ⊙ It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization,
- ⊙ Adverse change in the payment status of issuers or debtors in the Company, or
- ⊙ In the case of equity a significant or prolonged decline in its fair value below its cost.

Impairment Losses on Financial Assets Carried at Amortised Cost

The Company considers evidence of impairment for financial assets measured at amortised cost (L&R and HTM financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed or any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in income statement under other cost and reflected in an allowance account against L&R or HTM investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

Impairment Losses on AFS Financial Assets

Impairment losses on AFS financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to the income statement. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. In the case of equity investments impairment, the cumulative loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

If, in a subsequent period, the fair value of an impaired AFS debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, impairment losses on equity investments are not reversed through the income statement and increases in their fair value after impairment is recognised directly in the statement of profit or loss and other comprehensive income.

Derecognition

The Company derecognises a financial asset when;

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of;

- (a) the consideration received (including any new asset obtained less any new liability assumed) and
- (b) In case of AFS financial investments, any cumulative gain or loss that had been recognised in the statement of profit or loss and other comprehensive income is recognised in the income statement.

25.2 Non Derivative Financial Liabilities

Accounting Policy

Initial Recognition and Measurement

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies non derivative financial liabilities into other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise, reinsurance payables, Lease Liabilities, other liabilities and bank overdraft.

Derecognition

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

NOTES TO THE FINANCIAL STATEMENTS

25.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are presented on a net basis only when it is required or permitted by a standard.

25.4 Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability 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.

25.5 Reclassification of Financial Assets and Liabilities

The Company reclassifies non derivative financial assets out of the held for trading category and into the AFS, L&R, or HTM categories as permitted by the Sri Lanka Accounting Standard LKAS 39 - Financial Instruments: Recognition and Measurement. Further, in certain circumstances, the Company is permitted to reclassify financial instruments out of the AFS category and into the L&R category.

Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost. Reclassification to held to maturity is permitted only when the entity has the ability and intention to hold the financial asset until maturity.

For a financial asset with a fixed maturity reclassified out of the AFS category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the asset using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

The Company may reclassify a non derivative trading asset out of the held for trading category and into the L&R category, if it meets the definition of loans and receivables and the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified and if the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in the estimate.

25.7 Financial Assets and Liabilities by Category.

As at 31 December Rs'000	L&R			FVTPL	
	Note	2023	2022	2023	2022
Financial Assets					
Financial investments	30.2	10,849,760	13,008,194	8,994,878	3,698,539
Loans to life policyholders	31	2,368,021	2,118,116	-	-
Reinsurance receivable	32	447,558	556,985	-	-
Premiums receivable	33	1,051,444	878,441	-	-
Receivables and other assets	34	348,966	355,046	-	-
Cash in hand and at bank	35	839,475	952,332	-	-
Total financial assets		15,905,224	17,869,114	8,994,878	3,698,539
Financial Liabilities					
Reinsurance payables	46	-	-	-	-
Lease liabilities	44	-	-	-	-
Other financial liabilities	47	-	-	-	-
Bank overdraft	35.2	-	-	-	-
Total financial liabilities		-	-	-	-

Reclassification is at the election of the management and is determined on an instrument by instrument basis.

The Company does not reclassify any financial instrument into the FVTPL category after initial recognition. Further, the Company does not reclassify any financial instrument out of the FVTPL category if upon initial recognition it was designated as fair value through profit or loss.

25.6 Derivatives Held for Risk Management Purposes

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

Other Non-Trading Derivatives

If a derivative is not held for trading, and is not designated in a qualifying hedge relationship, then all changes in its fair value are recognised immediately in profit or loss as a component of net income from other financial instruments at FVTPL.

26 INTANGIBLE ASSETS

Accounting Policy

Recognition and Measurement

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard LKAS 38 - Intangible Assets.

Software

Software acquired separately are measured on initial recognition at cost. Following initial recognition, these assets are stated in the statement of financial position at cost, less accumulated amortisation and accumulated impairment losses.

Contractual Relationships

Contractual relationships are rights which provide access to distribution networks. Contractual relationships are initially recognised at cost and subsequently carried at cost less accumulated amortisation and impairment losses.

AFS		HTM		Other financial liabilities		Total	
2023	2022	2023	2022	2023	2022	2023	2022
22,797,716	11,704,394	40,777,419	36,044,803	-	-	83,419,773	64,455,930
-	-	-	-	-	-	2,368,021	2,118,116
-	-	-	-	-	-	447,558	556,985
-	-	-	-	-	-	1,051,444	878,441
-	-	-	-	-	-	348,966	355,046
-	-	-	-	-	-	839,475	952,332
22,797,716	11,704,394	40,777,419	36,044,803	-	-	88,475,237	69,316,850
-	-	-	-	365,027	636,154	365,027	636,154
-	-	-	-	422,540	448,719	422,540	448,719
-	-	-	-	2,465,534	2,183,379	2,465,534	2,183,379
-	-	-	-	122,560	228,479	122,560	228,479
-	-	-	-	3,375,661	3,496,731	3,375,661	3,496,731

NOTES TO THE FINANCIAL STATEMENTS

Lapse Used Case Development

This is an advance data analytic model on lapse prevention developed by the Company with the help of an external consultant and the Parent Company. Asset is initially measured at cost and subsequently carried at cost less accumulated amortisation and impairment losses.

Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent Expenditure

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.

Useful Economic Life and Amortisation

Amortisation is calculated to write off the cost of intangible assets over their estimated useful lives and is generally recognised in profit or loss. None of the intangible assets are assumed to have a residual value.

The estimated useful lives of intangible assets and the amortisation methods for the current and comparative periods are as follows;

Software	5 -10 years using the straight line method from the date the software is available for use
Contractual Relationships	5 - 10 years based on the expected business volumes
Lapse Used Case Development	10 years using the straight line method from the date asset is available for use

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Changes in the expected useful life or the expected pattern of future economic benefits embodied in the assets is accounted for by changing the useful life or method as appropriate and are treated as changes in accounting estimates.

Intangible assets with indefinite useful life

In the event Company acquired an intangible asset with indefinite useful life, those assets are tested for impairment annually either individually or at the Cash Generating Unit (CGU) level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. The Company does not have intangible assets with indefinite useful life as at the reporting date (2022 - Nil).

De-Recognition

An intangible asset is de-recognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from de-recognition of such intangible assets is included in income statement.

Research and Development Cost

Research costs are expensed as incurred. Development expenditure is capitalised as an intangible asset when the Company can demonstrate:

- ⊙ The technical feasibility of completing the intangible asset so that the asset will be available for use or sale.
- ⊙ Its intention to complete and its ability to use or sell the asset.
- ⊙ The asset will generate future economic benefits.
- ⊙ The availability of resources to complete the development of the asset.
- ⊙ The ability to measure reliably the expenditure during development.
- ⊙ The ability to use or sell the intangible asset generated.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses.

26.1 Reconciliation of Carrying Amounts of Intangible Assets - Software

As at 31 December Rs. '000	Software		Contractual	Lapse	2023	2022
	Licensed	Purchased	relationships	used Case Development	Total	Total
Cost						
Balance as at 1 January	39,063	1,120,270	1,208,268	94,838	2,462,439	2,398,869
Acquisitions during the year - separately acquired	-	111,699	-	-	111,699	73,570
Termination	-	-	-	-	-	(10,000)
Balance as at 31 December	39,063	1,231,969	1,208,268	94,838	2,574,138	2,462,439
Accumulated amortisation and impairment losses						
Balance as at 1 January	39,063	586,081	497,626	28,452	1,151,222	853,340
Amortisation	-	112,699	170,148	9,484	292,331	297,882
Balance as at 31 December	39,063	698,780	667,774	37,936	1,443,553	1,151,222
Carrying value						
As at 31 December 2023	-	533,189	540,494	56,902	1,130,585	
As at 31 December 2022	-	534,189	710,642	66,386		1,311,217

26.2 Assessment of Impairment of Intangible Assets

Contractual relationships are valued at the present value of the access fee outflows, by recognising the relevant asset and the liability. There are two such contractual relationship agreements with two financial institutions. The actual performance was compared with contractual arrangement and the management has assessed that no impairment is required for the said asset as of the reporting date.

The Board of Directors has assessed the potential impairment loss of other intangible assets as at 31 December 2023. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date.

26.3 Title Restriction on Intangible Assets

There are no restrictions that existed on the title of the intangible assets of the Company as at the reporting date.

26.4 Intangible Assets pledged as Security

None of the Intangible assets have been pledged as security as at the reporting date.

26.5 Acquisition of Intangible Assets During the Year

During the financial year, the Company acquired intangible assets to the aggregate value of Rs. 112 million (2022 - Rs. 74 million). Cash payments amounting to Rs. 112 million (2022 - Rs. 74 million) were made to purchase intangible assets during the year.

26.6 Amount of Contractual Commitments for the Acquisition of Intangible Assets

There are no contractual commitments for the acquisition of intangible assets as at the reporting date.

26.7 Revaluation of Intangible Assets

There are no any intangible assets revalued as at 31 December 2023. (2022 - Nil)

26.8 Fully Amortised Intangible Assets in Use

Intangible assets include fully amortised computer software which are in use in the normal business activities to the gross carrying value of Rs. 302 million (2022 - Rs. 292 million).

27 PROPERTY, PLANT AND EQUIPMENT**Accounting Policy****Recognition and Measurement**

The Company applies the requirements of the Sri Lanka Accounting Standard LKAS 16 - Property, Plant and Equipment, in accounting for its owned assets which are held and used in the provision of services or for administrative purposes and are expected to be used for more than one year.

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 reliably measured.

NOTES TO THE FINANCIAL STATEMENTS

Basis of Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Except for land and buildings, the Company applies the cost model for all property, plant and equipment and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed assets includes the following;

- ⊙ The cost of materials and direct labour;
- ⊙ Any other costs directly attributable to bringing the assets to a working condition for their intended use
- ⊙ When the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located, and
- ⊙ Capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in 'other income' in the income statement.

Subsequent Costs

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Repairs and Maintenance

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

Revaluations

Freehold land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses are recognised after the date of the revaluation. Valuations are performed every two years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recognised in the statement of profit or loss and other comprehensive income and accumulated in equity in the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Income Statement, in which case the increase is recognised in the Income Statement. A revaluation deficit is recognised in the Income Statement, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation reserve.

An annual transfer from the revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Useful Economic Life and Depreciation

Depreciation is recognised in the Income Statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embedded in the asset. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Asset Class	Basis
Freehold buildings	50 years
Office furniture	5 years
Furniture and fittings	5 years
Computer equipment	2-5 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

The depreciation rates are determined separately for each significant part of an item of property, plant and equipment and depreciation commences when it is available for use, i.e. when it is in the location and in the condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised.

Carrying Amount

The carrying amount of an asset or significant group of assets within the class is assessed annually, if there are impairment indicators with its fair value and where the fair value is less than the carrying amount, the asset is written down to its fair value. The consequent adjustment is recognised in the income statement.

The residual values of assets that are significant are reassessed annually.

Depreciation on revalued classes of assets is based on the remaining useful life of the assets at the time of the revaluation.

De - Recognition

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

Capital Work in Progress

Capital work in progress is stated at cost. These are expenses of a capital nature directly incurred in property, plant and equipment, awaiting for capitalisation.

Borrowing Cost

Borrowing Cost that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalised as part of the cost of the asset as per the Sri Lanka Accounting Standard, LKAS 23 - Borrowing Costs. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Other borrowing costs are recognised in the Statement of Profit or Loss in the period in which they occur.

27.1 Reconciliation of Carrying Amounts of Property, Plant and Equipment

Rs. '000	Freehold Land	Freehold Buildings	Plant machinery, Office equipment	Furniture and fittings	Computer equipment	Motor vehicles	2023 Total	2022 Total
Cost / Revaluation								
Balance as at 1 January	2,055,205	392,957	247,200	478,522	559,655	80	3,733,619	3,621,570
Additions during the year	-	-	13,635	48,340	4,955	-	66,930	126,903
Revaluation	135,495	163,867	-	-	-	-	299,362	-
Transfer of accumulated depreciation on assets revalued	-	(16,524)	-	-	-	-	(16,524)	-
Disposals during the year	-	-	(1,772)	(995)	(138)	-	(2,905)	(14,854)
Balance as at 31 December	2,190,700	540,300	259,063	525,867	564,472	80	4,080,482	3,733,619
Accumulated depreciation and impairment losses								
Balance as at 1 January	-	8,261	173,387	290,448	501,756	80	973,932	875,456
Depreciation for the year	-	8,263	23,662	66,386	21,527	-	119,838	113,309
Transfer of accumulated depreciation on assets revalued	-	(16,524)	-	-	-	-	(16,524)	-
Accumulated depreciation on disposals during the year	-	-	(1,772)	(972)	(138)	-	(2,882)	(14,833)
Balance as at 31 December	-	-	195,277	355,862	523,145	80	1,074,364	973,932
Carrying value								
As at 31 December 2023	2,190,700	540,300	63,786	170,005	41,327	-	3,006,118	
As at 31 December 2022	2,055,205	384,696	73,813	188,074	57,899	-		2,759,687

NOTES TO THE FINANCIAL STATEMENTS

27.2 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.

27.3 Acquisition of Property, Plant and Equipment During the Year

During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 67 million (2022 - Rs. 127 million). Cash payments amounting to Rs. 67 million (2022 - Rs. 127 million) were made during the year for purchase of property plant and equipment.

27.4 Disposal of Property, Plant and Equipment During the Year

During the financial year, the Company disposed of property, plant and equipment to the aggregate value of Rs. 3 million (2022 - Rs. 15 million). Cash amounting to Rs. 0.2 million (2022 - Rs. 0.3 million) was received during the year for disposal of property plant and equipment. Gain on disposal of property, plant and equipment is disclosed in Note 14 to the Financial Statements.

27.5 Capitalisation of Borrowing Costs

There was no capitalised borrowing cost relating to the acquisition of property, plant and equipment during the year (2022 - Nil).

27.6 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.

27.7 The Details of Freehold Land and Buildings which are Stated at Valuation

Freehold land and buildings were valued by an Independent valuer, Mr. P. B. Kalugalagedara and Associates (Chartered valuation surveyor [UK]).

Company property	No. of Buildings	Extent Perches (Land)	Square feet (Building)	Method of valuation	Date of valuation	Valuer	Revalued amount Land Rs.'000	Revalued amount Building Rs.'000	Carrying value after revaluation Rs.'000	Carrying value %
Land and building situated at No. 20, St. Michael's Road, Colombo 3	1	93.4	57,916	Market Method / Investment Method	31 December 2023	Mr. P. B. Kalugalagedara and Associates	1,914,700	398,300	2,313,000	85
Land and building situated at No. 6, Rajapihilla Road, Kurunegala	1	32.3	27,412	Market Method / Investment Method	31 December 2023	Chartered valuation surveyor	276,000	142,000	418,000	15
							2,190,700	540,300	2,731,000	100

27.8 Significant Unobservable Inputs Used in Measuring Fair Value

The table below sets out the significant unobservable inputs used in measuring Land and buildings categorised as Level 3 in the fair value hierarchy as at 31 December 2023.

Location and address of property	No. of buildings	Method of valuation	Significant unobservable inputs	Range of Estimates for unobservable inputs	Inter-Relationship between key unobservable inputs and fair value measurement
Kollupitiya No. 20, St. Michael's Road, Colombo 3	1	Market Comparable Method / Investment Method	Land - Price per perch Building - Price per square foot	Rs. 18,000,000 - Rs. 21,000,000 Rs. 18,000 - Rs.22,000	The estimated fair value would increase / (decrease) if: Price per perch for land increases, decreases Price per square foot for building increases, decreases
Kurunegala No. 6, Rajapihilla Road, Kurunegala	1	Market Comparable Method / Investment Method	Land - Price per perch Building - Price per square foot	Rs. 9,000,000 - Rs. 12,000,000 Rs. 17,000 - Rs. 20,000	Price per perch for land increases, decreases Price per square foot for building increases, decreases

Market Comparable Method

Market comparable method considers the selling price of a similar property within a reasonable period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustment for differences in size, nature, location and condition of the specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are compensated for, since the price may not adequately reflect the fair market value.

Investment Method

This method involves capitalisation of the expected rental income at an appropriate rate of years purchase currently characterised by the real estate market.

27.9 Revaluation Surplus

Rs.'000	2023		
	Land	Buildings	Total
Revalued amount	2,190,700	540,300	2,731,000
Carrying value (prior to revaluation)	(2,055,205)	(376,433)	(2,431,638)
Revaluation surplus for the year ended 31 December	135,495	163,867	299,362

27.10 If Land and Buildings were stated at Historical Cost, the amounts would have been as follows;

As at 31 December	2023	2022
	Rs. '000	Rs. '000
Cost	251,124	251,124
Accumulated depreciation	(105,687)	(101,673)
Carrying value	145,437	149,451

27.11 The Effect of Revaluation of Freehold Buildings on the Income Statement during the year was as follows;

As at 31 December	2023	2022
	Rs. '000	Rs. '000
Depreciation charge per annum after revaluation	8,261	8,261
Depreciation charge per annum prior to revaluation	(4,015)	(4,014)
Decrease in profit in subsequent period	4,246	4,247

27.12 Impairment of Property, Plant and Equipment

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset.

The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The Management has assessed the potential impairment indicators of property, plant and equipment as at 31 December 2023. Based on the assessment, the Company does not foresee any indications of impairment as at the reporting date.

27.13 Fully Depreciated Property, Plant and Equipment

The initial cost of fully depreciated property, plant and equipment which are still in use as at the reporting date is as follows;

As at 31 December	2023	2022
	Rs. '000	Rs. '000
Computer equipment	471,574	434,686
Office equipment	149,408	119,851
Furniture and fittings	220,735	129,006
Motor Vehicle	80	80
Total	841,797	683,623

27.14 Property, Plant and Equipment pledged as Security

None of the property, plant or equipment have been pledged as security as at the reporting date.

27.15 Permanent Fall in Value of Property, Plant and Equipment

There has been no permanent fall in value of property, plant and equipment which require an impairment provision in the Financial Statements.

27.16 Temporarily Idle Property, Plant and Equipment

There are no temporarily idle property, plant or equipment as at the reporting date.

27.17 Compensation from Third Parties for Items of Property, Plant and Equipment

There were no compensation received / receivable from third parties for items of property, plant or equipment that were impaired, lost or given up.

27.18 Property, Plant & Equipment retired from active use

There were no property plant and equipment which are retired from active use as at the reporting date (2022 - Nil)

27.19 Property Plant and Equipment under Construction

As at the reporting date, there was no property, plant and equipment under construction (2022 - Nil).

27.20 Investment Properties

As at the reporting date, the Company has not invested in investment properties (2022 - Nil)

NOTES TO THE FINANCIAL STATEMENTS

28 RIGHT OF USE ASSETS (LEASES)

Accounting Policy

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative standalone prices. However, for the leases of property the Company has elected not to separate non-lease components and to account for the lease and non-lease components as a single lease component.

The Company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right of use asset reflects that the Company will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- ⊙ fixed payments, including in-substance fixed payments;
- ⊙ variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- ⊙ amounts expected to be payable under a residual value guarantee; and
- ⊙ the exercise price under a purchase option that the Company is reasonably certain to exercise. Lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised insubstance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Company presents right of use assets which do not meet the definition of investment property and lease liabilities separately in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right of use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sublease with reference to the right of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

Information about leases for which the Company is a lessee is presented below.

Right of use assets	2023			2022
	Building Rs. '000	Motor Vehicles Rs. '000	Total Rs. '000	Total Rs. '000
Balance at 1 January	454,700	915	455,615	421,885
Additions to right-of-use assets during the year	83,646	10,746	94,392	162,395
Terminations	-	-	-	(4,768)
Depreciation for the year	(129,870)	(1,571)	(131,441)	(123,897)
Balance at 31 December	408,476	10,090	418,566	455,615

Amounts recognised in profit or loss

For the year ended 31 December – Leases under SLFRS 16	2023 Rs. '000	2022 Rs. '000
Interest on lease liabilities	38,969	33,825
Depreciation of right of use assets	131,441	123,897
Expenses relating to short-term leases	2,280	2,481
	172,690	160,203

Amounts recognised in statement of cash flows

For the year ended 31 December – Leases under SLFRS 16	2023 Rs. '000	2022 Rs. '000
Total cash outflow for lease	157,000	161,051
	157,000	161,051

The Company recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of 'other income'.

28.1 Leases as lessee (SLFRS 16)

The Company has lease contracts for branches, typically made in between 1 to 6 years of lease term and have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The Company does not foresee any indications of impairment of right of use assets. The Company does not anticipate discontinuation of any right of use assets as at the year end.

The Company has classified:

- ⊙ cash payments for the principal portion of lease payments as financing activities;
- ⊙ cash payments for the interest portion as operating activities consistent with the presentation of interest payments chosen by the Company; and
- ⊙ short-term lease payments and payments for leases of low value assets as operating activities.

28.2 Extension Options

Some property leases contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

NOTES TO THE FINANCIAL STATEMENTS

29 INVESTMENT IN EQUITY ACCOUNTED INVESTEE

Accounting Policy

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Investment in associate is accounted for using the equity method and is recognised initially at cost, in terms of Sri Lanka Accounting Standard LKAS 28 - Investments in Associates and Joint ventures.

The Company's investment in its associate is reported as a separate line item in the Statement of Financial Position. Under the equity method, investments in associate is carried at cost plus post acquisition changes in the Company's share of net assets of the associate. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The income statement reflects the Company's share of the results of operations of the associate. Any change in the OCI of the investee is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the income statement outside the operating profit and represents profit or loss after tax.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of results of equity accounted investees' in the income statement.

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the income statement.

The accounting policies of the associate Company conform to those used for similar transactions of the Company.

The associate has the same reporting date as the Company and the financial statements are prepared to a common financial year ending 31 December.

As at 31 December					2023		2022	
	Place of incorporation and operation	Proportion of ownership interest	Number of Shares	Cost	Directors valuation / market value	Carrying value	Directors valuation / market value	Carrying value
				Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Unquoted								
Fairfirst Insurance Limited	Sri Lanka	22%	68,902,870	689,029	2,046,001	2,046,001	1,703,160	1,703,160

Material accounting policies that are specific to the business of equity accounted investee - Fairfirst Insurance Limited.

Gross Written Premiums (GWP)

Gross written premiums comprise the total premiums received / receivable for the whole period of cover provided by contracts entered into during the accounting period. GWP is generally written upon inception of the policy. Rebates that form part of the premium rate, such as no claim rebates, are deducted from the gross written premium.

Unearned Premium Reserve (UPR)

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on the 1/24 basis except for marine and title policies which are computed on a 60/40 basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Reinsurance Premiums

Reinsurance premiums written comprise the total premiums payable for the whole cover by contracts entered during the period, and are generally recognised on the date on which the policy incepts.

Unexpired Risk

Provision is made where appropriate for the estimated amount required over and above unearned premiums to meet future claims and related expenses on the business in force as at the reporting date.

Acquisition Cost

Acquisition costs comprise commissions and other variable costs directly connected with acquisition or renewal of insurance contracts, 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.

Reinsurance Commission Income

Reinsurance commission income on outward reinsurance contracts are recognised as revenue when receivable.

Subsequent to initial recognition, reinsurance commission income on outwards reinsurance contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

Gross Claims Expense

Gross claims expense includes all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims.

Gross claims expense includes gross claims expense reported but not yet paid, incurred but not reported claims (IBNR) and the anticipated direct cost of settling those claims. The provision in respect of IBNR is actuarially valued to ensure a more realistic estimation of the future liability based on past experience and trends. Actuarial valuations are performed on an annual basis.

While the Directors of the associate 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.

Reinsurance Claims Recoveries

Reinsurance claims recoveries are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract. This includes reinsurance exposure of IBNR.

Deferred Acquisition Costs (DAC)

Deferred acquisition costs comprise commissions and other variable costs directly connected with acquisition or renewal of insurance contracts, 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.

DAC is amortised over the period in which the related revenues are earned. The reinsurers share of DAC is amortised in the same manner as the UPR is amortised.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. DAC is reviewed for recoverability based on the profitability of the underlying insurance contracts and when the recoverable amount is less than the carrying value, an impairment loss is recognised in the income statement.

DAC is derecognised when the related contracts are either settled or disposed off.

Reinsurance Commissions - Unearned Commission Reserve (UCR)

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

Insurance Contract Liabilities

Non-life insurance contract liabilities include the outstanding claims provision (Reserve for gross outstanding and incurred but not reported, and incurred and not enough reported - IBNR / IBNER) and the provision for unearned premium and the provision for premium deficiency.

NOTES TO THE FINANCIAL STATEMENTS

Claims Payable Including IBNR

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date.

The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

IBNR reserve is determined by an independent external actuary.

Provision for Unearned Premiums

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

Provision for unearned premium is calculated on a 1/24 basis except for marine / cargo class which is subject to 60/40 basis.

At each reporting date, the Company reviews its unexpired risk and the liability adequacy tested to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums.

Liability Adequacy Test (LAT)

At the end of each reporting period the Company reviews its unexpired risk and a liability adequacy test is performed as laid out in SLFRS 4 to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums.

The calculation uses current estimates of future cash flows after taking account of the investment return expected to arise from assets relating to the relevant non-life insurance technical provisions. If the assessments show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency shall be recognised in the income statement by setting up a provision for liability adequacy.

Non life insurance liability adequacy is decided by an independent external actuary.

29.1 Summarised Financial Information in Respect of Associate

Income Statement

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Net earned premium	7,663,795	7,948,754
Finance and other income	2,517,805	1,755,980
Benefits, claims and expenses	(8,133,596)	(8,296,567)
Profit before tax	2,048,004	1,408,167
Income tax expenses	(630,396)	(364,337)
Profit from continuing operations, net of tax	1,417,608	1,043,830
Percentage ownership interest	22%	22%
Company's share of profit from investment in associate, net of tax	311,874	229,642
Other Comprehensive Income		
Other comprehensive income, net of tax	140,763	(179,605)
Company's share of other comprehensive income, net of tax	30,967	(39,513)
Total comprehensive income	1,558,371	864,225
Share of results of equity accounted investee recognised in statement of profit or loss and other comprehensive income, net of tax	342,841	190,129

Current non current analysis of assets / liabilities in respect of associate

As at 31 December	2023 Rs. '000	2022 Rs. '000
Total assets	23,226,650	22,190,895
Total liabilities	13,926,643	14,449,259
Net assets (100%)	9,300,007	7,741,635
Company's share of net assets (22%)	2,046,001	1,703,160

29.1(a) Company's Share of Other Comprehensive Income, net of tax

For the year ended 31 December	Note	2023 Rs. '000	2022 Rs. '000
Share of gains/ (losses) on AFS reserve	37	45,412	(45,584)
Share of actuarial gains/ (losses) on defined benefit plans	40.2	(14,445)	6,071
		30,967	(39,513)

29.2 Reconciliation of Summarised Financial Information

Reconciliation of the above summarised financial information to the carrying amount of the interest in associate recognised in the financial statements is as follows.

	2023 Rs. '000	2022 Rs. '000
Value of investment in equity accounted investee as at 1 January	1,703,160	1,513,031
Add		
Net profit for the period recognised in income statement	311,874	229,642
Other comprehensive income	30,967	(39,513)
Company's share of equity accounted investee (net of tax) for the year ended 31 December	342,841	190,129
Value of investment in equity accounted investee as at 31 December	2,046,001	1,703,160
Contingent liabilities of equity accounted investee	Nil	Nil
Capital and other commitments of equity accounted investee	Nil	Nil

29.3 There are no restrictions on the ability of the associate to transfer funds to the investor in the form of cash dividends, or repayment of loans or advances.

29.4 The Company has neither contingent liabilities nor capital and other commitments towards its associate company.

30 FINANCIAL INVESTMENTS

Refer accounting policy in Note 25

The risk management practices adopted by the Company in relation to the investment portfolio and risk management disclosures are outlined in Note 7 to the financial statements.

As explained in note 3, Sri Lanka has been facing a very challenging economic situation amid an increasingly difficult global economic environment. The Government of Sri Lanka announced its plans to restructure its

foreign currency denominated Treasury Bonds (Sri Lanka Development Bonds – SLDBs and Sri Lanka Internal Sovereign Bonds – SLISB) in April 2022. The Government has not defaulted on repayment of principal or interest of local currency bonds to date. In June 2023, the Government announced the International Monetary Fund (IMF) supported Domestic Debt Optimization program (DDO). The DDO announced and designed to achieve a target level of debt sustainability, clearly stated that it will carve out the Local currency Treasury bills and bonds held by the Employees Provident Funds and the Central Bank of Sri Lanka (CBSL), hence excluding the rest of the local currency Treasury bills and bonds. The said DDO has been completed by the reporting date with the specified portfolio referred to above. Accordingly, it is visible that the DDO has not restricted the government's ability to continue to repay the principal and interest on local currency-denominated Treasury bills and Bonds. Accordingly, there is no incurred loss indication for LKR treasury bonds/treasury bills that were not subjected to the restructuring.

NOTES TO THE FINANCIAL STATEMENTS

30.1 Financial Investments Pledged as Security

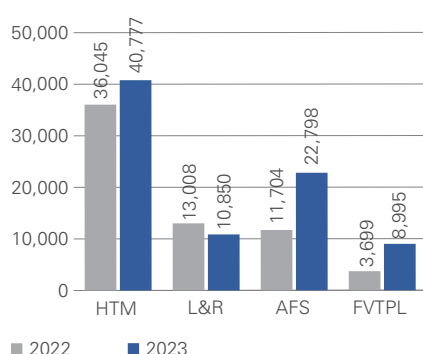
None of the financial investments have been pledged as security as at the reporting date.

30.2 The Company's Financial Instruments are Summarised as Follows:

As at 31 December	Note	2023		2022	
		Carrying value	Fair Value	Carrying value	Fair Value
Held to maturity financial assets (HTM)	30.3	40,777,419	42,287,851	36,044,803	23,216,137
Loans and receivables (L&R)	30.4	10,849,760	10,257,191	13,008,194	10,288,443
Available for sale financial assets (AFS)	30.5	22,797,716	22,797,716	11,704,394	11,704,394
Financial assets at fair value through profit or loss (FVTPL)	30.6	8,994,878	8,994,878	3,698,539	3,698,539
Total financial investments		83,419,773	84,337,636	64,455,930	48,907,513

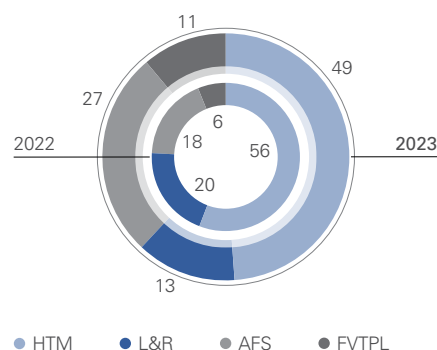
Investments - Reporting Category Wise

(Rs. Mn)



Composition of Investments

(%)



30.2 (a) Investments Supporting Restricted Regulatory Reserve

Based on the direction issued by the IRCSL dated 20 March 2018 on one-off surplus transfer, following investments have been marked to support the Restricted Regulatory Reserve of the Company.

As at 31 December	2023	2022
	Rs. '000	Rs. '000
Treasury bonds		
Held to maturity financial investments	1,653,424	1,696,317
Available for sale financial investments	1,729,148	1,702,808
	3,382,572	3,399,125

30.3 Held to Maturity Financial Assets (HTM)

As at 31 December	2023	2022
	Rs. '000	Rs. '000
Amortised cost		
Treasury bills	-	805,869
Treasury bonds	40,777,419	35,238,934
Total HTM financial investments	40,777,419	36,044,803

30.3 (a) Impairment of Held to Maturity Financial Investments

At the reporting date, there were no HTM financial investments that were overdue and impaired.

30.4 Loans and Receivables (L&R)

As at 31 December	2023	2022
Note	Rs. '000	Rs. '000
Amortised cost		
Bank deposits	64,359	541,402
Debentures	30.4(a) 10,303,762	10,620,656
Asset backed securities	306,697	306,881
Reverse repurchase agreements	174,942	1,539,255
Total L&R financial investments	10,849,760	13,008,194
The effective interest rate	14.09%	13.72%

30.4 (a) Debentures

As at 31 December Issuer	2023					
	Credit Rating	Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
Sampath Bank PLC	BBB+	2/28/24	1,500,000	167,629	166,524	13.90
Seylan Bank PLC	BBB	4/18/24	4,000,000	441,371	438,925	15.00
Bank of Ceylon	Unrated	7/23/24	2,000,000	209,852	205,731	11.50
People's Leasing & Finance PLC	A-	8/5/24	5,258,875	502,279	381,682	8.00
Siyapatha Finance PLC	BBB-	8/8/24	2,760,000	290,008	284,513	13.33
Hayleys PLC	AAA	8/26/24	1,000,000	104,478	103,741	13.00
LOLC Holdings PLC	A	9/27/24	2,268,702	243,468	234,709	15.00
Nations Trust Bank PLC	BBB	12/23/24	1,000,000	100,253	97,380	12.80
HNB Finance Limited	BBB-	12/30/24	6,000,000	679,438	662,739	13.20
First Capital Treasuries PLC	BBB	1/30/25	1,500,000	155,428	152,942	12.75
Seylan Bank PLC	BBB	3/29/25	2,000,000	206,570	200,362	13.20
DFCC Bank PLC	BBB	3/29/25	3,000,000	329,188	319,513	13.00
DFCC Bank PLC	A-	6/12/25	3,270,000	346,401	328,054	11.00
National Development Bank PLC	BBB	9/25/25	5,000,000	512,169	465,119	9.50
DFCC Bank PLC	BBB	10/23/25	3,000,000	304,909	273,399	9.00
Peoples Bank	A	3/29/26	5,000,000	599,791	542,008	9.25
Singer Finance (Lanka) PLC	BB+	6/25/26	805,200	90,096	78,023	8.96
Siyapatha Finance PLC	BBB-	8/31/26	5,000,000	515,219	448,220	9.46
Hatton National Bank PLC	BBB+	9/23/26	864,100	89,288	83,528	12.80
Nations Trust Bank PLC	BBB	12/23/26	3,000,000	300,840	278,584	12.90
Peoples Bank	A	11/8/27	4,370,000	444,476	406,166	12.25
Sampath Bank PLC	BBB+	2/9/28	6,770,000	843,778	765,433	28.00
Seylan Bank PLC	BBB	3/29/28	3,000,000	310,114	284,420	13.50
Sri Lanka Telecom PLC	A	4/19/28	2,000,000	205,047	188,782	12.75
Commercial Bank of Ceylon PLC	BBB+	7/23/28	5,000,000	527,575	469,792	12.50
Commercial Bank of Ceylon PLC	BBB+	12/20/28	7,500,000	753,468	718,739	15.00
Commercial Bank of Ceylon PLC	BBB+	12/12/29	5,000,000	509,195	717,348	27.00
Peoples Bank	A	7/27/30	5,000,000	521,434	414,507	10.25
				10,303,762	9,710,883	

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December Issuer	Credit Rating	Maturity date	2022 No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
Sampath Bank PLC	A	3/20/23	2,700,000	279,342	271,220	12.50
DFCC Bank PLC	A-	3/29/23	2,500,000	273,641	264,630	12.60
Nations Trust Bank PLC	BBB+	4/20/23	2,875,000	313,034	300,567	13.00
Siyapatha Finance PLC	A	7/7/23	4,221,600	444,585	424,213	11.25
Hatton National Bank PLC	AA-	8/30/23	1,204,706	119,665	109,973	8.00
Bank of Ceylon	A	10/25/23	452,300	46,566	41,683	13.75
Hatton National Bank PLC	A	11/1/23	724,000	73,886	65,986	13.00
National Development Bank PLC	BBB+	12/19/23	4,500,000	514,031	456,762	13.90
Sampath Bank PLC	A	2/28/24	1,500,000	169,818	167,480	13.90
Seylan Bank PLC	BBB+	4/18/24	4,000,000	441,422	383,676	15.00
Bank of Ceylon	Unrated	7/23/24	2,000,000	209,877	169,157	11.50
People's Leasing & Finance PLC	A+	8/5/24	5,258,875	465,098	346,404	8.00
Siyapatha Finance PLC	BBB+	8/8/24	2,760,000	290,079	235,271	13.33
Hayleys PLC	A+	8/26/24	1,000,000	104,510	83,376	13.00
LOLC Holdings PLC	A	9/27/24	2,268,702	253,291	99,605	15.00
Nations Trust Bank PLC	BBB+	12/23/24	1,000,000	100,276	76,524	12.80
HNB Finance Limited	BBB+	12/30/24	6,000,000	600,449	460,062	13.20
First Capital Treasuries PLC	A-	1/30/25	1,500,000	156,823	112,150	12.75
DFCC Bank PLC	A-	3/29/25	3,000,000	329,208	252,238	13.00
Seylan Bank PLC	BBB+	3/29/25	2,000,000	206,584	152,996	13.20
DFCC Bank PLC	A+	6/12/25	3,270,000	346,447	241,636	11.00
National Development Bank PLC	BBB+	9/25/25	5,000,000	512,225	329,485	9.50
DFCC Bank PLC	A-	10/23/25	3,000,000	304,940	193,232	9.00
Peoples Bank	AA	3/29/26	5,000,000	551,841	399,491	13.50
Singer Finance (Lanka) PLC	BBB	6/25/26	805,200	91,757	83,701	26.49
Siyapatha Finance PLC	BBB+	9/1/26	5,000,000	515,274	295,509	9.46
Hatton National Bank PLC	A	9/23/26	864,100	89,302	57,498	12.80
Nations Trust Bank PLC	BBB+	12/23/26	3,000,000	300,888	185,182	12.90
Peoples Bank	A	11/8/27	4,370,000	444,534	261,757	12.25
Seylan Bank PLC	BBB+	3/29/28	3,000,000	310,127	188,961	13.50
Sri Lanka Telecom PLC	AA-	4/19/28	2,000,000	205,056	123,604	12.75
Commercial Bank of Ceylon PLC	A	7/23/28	5,000,000	527,593	307,664	12.50
Commercial Bank of Ceylon PLC	A	12/12/29	5,000,000	507,007	507,418	27.00
Peoples Bank	A	7/27/30	5,000,000	521,480	251,500	10.25
				10,620,656	7,900,611	

30.4 (b) Impairment of Loans and Receivables Financial Investments

At the reporting date, there were no loans and receivables financial investments that were overdue and impaired.

30.5 Available for Sale Financial Assets (AFS)

As at 31 December	2023	2022
	Rs. '000	Rs. '000
Fair value		
Treasury bills	2,392,206	-
Treasury bonds	20,405,510	11,704,394
Total Available for Sale Financial investments	22,797,716	11,704,394

30.5 (a) Impairment of Available for Sale Financial Investments

At the reporting date, there were no AFS financial investments that were overdue and impaired.

30.6 Financial Assets at Fair Value Through Profit or Loss (FVTPL)

As at 31 December	Note	2023	2022
		Rs. '000	Rs. '000
Fair value			
Quoted equities	30.6 (a)	3,942,092	2,960,435
Treasury bills		79,806	-
Treasury bonds		84,705	-
Unit trusts		4,181,198	-
		8,287,801	2,960,435
Investments in unit linked funds			
Quoted equities	30.6 (b)	407,186	371,242
Reverse repurchase agreements		39,268	158,369
Treasury bills		4,793	-
Treasury bonds		190,367	103,919
Unit trusts		71	-
Debentures		65,392	104,574
		707,077	738,104
Total Fair Value Through Profit or Loss financial investments		8,994,878	3,698,539

30.6 (a) Quoted Equities - Other than Unit Linked Investments

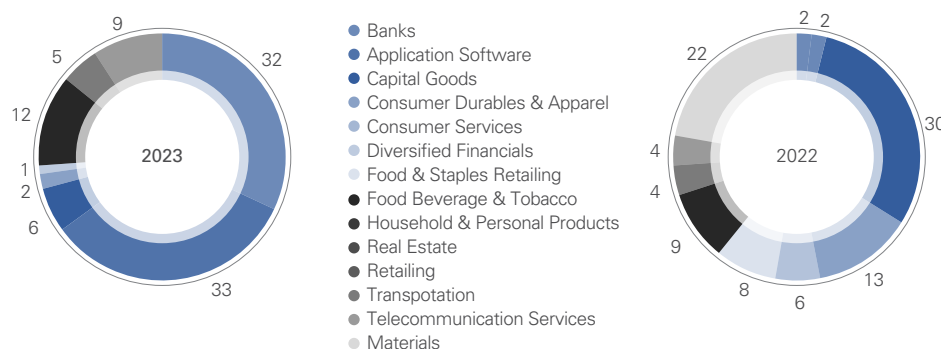
As at 31 December	2023			2022		
	No. of shares	Cost	Carrying / Fair Value	No. of shares	Cost	Carrying / Fair Value
		Rs. '000	Rs. '000		Rs. '000	Rs. '000
Application Software						
Hsenid Business Solutions PLC	-	-	-	3,157,938	52,738	53,685
		-	-		52,738	53,685
Banks						
Commercial Bank of Ceylon PLC	2,174,784	197,062	207,692	-	-	-
Hatton National Bank PLC	5,155,583	698,514	868,669	-	-	-
Sampath Bank PLC	2,830,610	195,826	199,558	1,766,746	107,509	60,423
		1,091,402	1,275,919		107,509	60,423
Capital Goods						
Access Engineering PLC	8,158,054	141,541	165,608	-	-	-
Aitken Spence PLC	2,126,038	227,351	246,620	3,451,308	367,948	441,768
Hemas Holdings PLC	4,534,598	272,032	302,458	1,553,681	86,196	87,628
John Keells Holdings PLC	2,987,735	464,400	570,657	2,744,858	348,097	371,240
		1,105,324	1,285,343		802,241	900,636
Consumer Durables & Apparel						
Hayleys Fabric PLC	5,024,861	198,181	203,507	2,702,889	90,069	61,085
Hela Apparel Holdings PLC	6,615,331	81,799	33,077	4,851,275	72,569	41,236
Teejay Lanka PLC	-	-	-	9,156,733	324,364	290,269
		279,980	236,584		487,002	392,590

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December	2023			No. of shares	2022	
	No. of shares	Cost	Carrying / Fair Value		Cost	Carrying / Fair Value
		Rs. '000	Rs. '000		Rs. '000	Rs. '000
Consumer Services						
Aitken Spence Hotel Holdings PLC	337,245	15,734	21,246	984,574	45,888	50,015
John Keells Hotels PLC	2,433,456	33,215	45,749	6,030,621	71,393	99,506
		48,949	66,995		117,281	149,521
Diversified Financials						
People's Leasing & Finance PLC	2,791,736	32,249	29,872	-	-	-
		32,249	29,872		-	-
Energy						
Lanka IOC PLC	-	-	-	1,097,524	199,568	222,522
		-	-		199,568	222,522
Food, Beverage & Tobacco						
Ceylon Cold Stores PLC	-	-	-	553,600	21,574	20,429
Ceylon Tobacco Company PLC	139,851	112,781	133,383	270,294	217,967	168,934
Distilleries Company of Sri Lanka PLC	3,304,787	84,110	92,534	-	-	-
Sunshine Holdings PLC	4,748,410	197,612	242,169	2,461,175	80,269	85,649
		394,503	468,086		319,810	275,012
Materials						
Agstar PLC	-	-	-	8,216,025	153,720	126,527
Alumex PLC	1,363,440	11,200	11,044	-	-	-
Chevron Lubricants Lanka PLC	540,763	50,568	48,831	302,974	28,242	29,237
CIC Holdings PLC	252,518	21,907	16,161	6,521,594	506,264	499,088
Jat Holding PLC	868,754	13,004	13,292	-	-	-
PGP Glass Ceylon PLC	1,506,399	40,457	42,179	-	-	-
Tokyo Cement Company (Lanka) PLC	5,199,571	257,469	224,316	-	-	-
		394,605	355,823		688,226	654,852
Real Estate						
Prime Lands Residencies PLC	206,125	1,484	1,340	-	-	-
		1,484	1,340		-	-
Retailing						
Singer Sri Lanka PLC	722,979	7,556	8,676	-	-	-
		7,556	8,676		-	-
Telecommunication Services						
Dialog Axiata PLC	23,717,094	265,173	213,454	14,527,398	174,440	123,483
		265,173	213,454		174,440	123,483
Transportation						
Expolanka Holdings PLC	-	-	-	700,745	144,337	127,711
		-	-		144,337	127,711
		3,621,225	3,942,092		3,093,152	2,960,435

Quoted Equities - Other than Unit Linked Investments

(%)



30.6 (b) Equity Securities / Unit Linked Fund - (FVTPL)

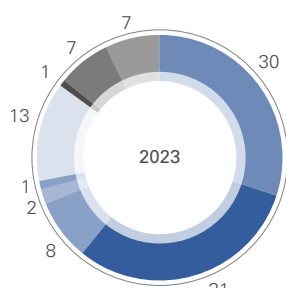
As at 31 December	2023			2022		
	No. of shares	Cost	Carrying / Fair Value	No. of shares	Cost	Carrying / Fair Value
		Rs. '000	Rs. '000		Rs. '000	Rs. '000
Application Software						
Hsenid Business Solutions PLC	-	-	-	390,311	6,518	6,635
		-	-		6,518	6,635
Banks						
Commercial Bank of Ceylon PLC	221,880	20,815	21,189	-	-	-
Hatton National Bank PLC	577,609	69,232	97,403	-	-	-
National Development Bank PLC	6,369	299	413	-	-	-
Nations Trust Bank PLC	1,624	164	175	-	-	-
Sampath Bank PLC	64,806	4,587	4,569	54,303	1,736	1,857
		95,097	123,749		1,736	1,857
Capital Goods						
Access Engineering PLC	808,129	13,431	16,405	-	-	-
Aitken Spence PLC	157,831	16,754	18,308	113,255	5,649	5,753
Hemas Holdings PLC	621,007	37,491	41,421	185,571	10,292	10,466
John Keells Holdings PLC	262,015	45,432	50,045	341,305	45,902	46,162
		113,108	126,179		61,843	62,381
Consumer Durables & Apparel						
Hayleys Fabric PLC	608,709	20,788	24,653	308,495	9,727	6,972
Hela Apparel Holdings PLC	1,204,764	14,335	6,024	602,714	9,036	5,123
Teejay Lanka PLC	-	-	-	1,367,552	55,350	43,351
		35,123	30,677		74,113	55,446
Consumer Services						
Aitken Spence Hotel Holdings PLC	25,513	1,272	1,607	440,044	46,186	56,326
John Keells Hotels PLC	253,899	3,493	4,773	755,071	10,356	12,459
		4,765	6,380		56,542	68,785
Diversified Financials						
People's Leasing & Finance PLC	386,603	4,381	4,137	-	-	-
		4,381	4,137	-	-	-
Energy						
Lanka IOC PLC	-	-	-	141,680	25,918	28,726
		-	-		25,918	28,726

NOTES TO THE FINANCIAL STATEMENTS

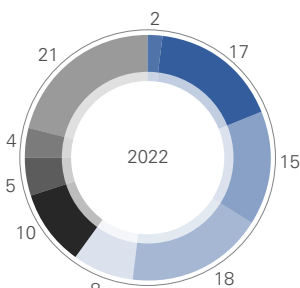
As at 31 December	2023				2022		
	No. of shares	Cost	Carrying / Fair Value		No. of shares	Cost	Carrying / Fair Value
		Rs. '000	Rs. '000			Rs. '000	Rs. '000
Food, Beverage & Tobacco							
Ceylon Cold Stores PLC	-	-	-	60,525	2,002	2,233	
Ceylon Tobacco Company PLC	15,263	13,567	14,557	37,022	32,833	23,139	
Distilleries Company of Sri Lanka PLC	454,472	11,608	12,725	-	-	-	
Sunshine Holdings PLC	535,038	22,665	27,287	310,655	10,138	10,811	
		47,840	54,569		44,973	36,183	
Materials							
Agstar PLC	-	-	-	824,132	15,509	12,692	
Alumex PLC	147,052	1,205	1,191				
Chevron Lubricants Lanka PLC	32,390	3,027	2,925	24,406	2,274	2,355	
CIC Holdings PLC	-	-	-	809,707	63,504	62,438	
JAT Holding PLC	78,277	1,142	1,198	-	-	-	
PGP Glass Ceylon PLC	8,750	234	245	-	-	-	
Tokyo Cement Company (Lanka) PLC	571,956	29,469	24,944	-	-	-	
		35,077	30,503		81,287	77,485	
Real Estate							
Prime Lands Residencies PLC	7,961	57	52	-	-	-	
		57	52	-	-	-	
Retailing							
Singer Sri Lanka PLC	87,383	924	1,048	-	-	-	
		924	1,048	-	-	-	
Telecommunication Services							
Dialog Axiata Plc	3,321,297	37,983	29,892	1,847,095	23,360	15,700	
		37,983	29,892		23,360	15,700	
Transportation							
Expolanka Holdings PLC	-	-	-	99,010	20,106	18,044	
		-	-		20,106	18,044	
		374,355	407,186		396,396	371,242	

Equity Securities - Unit Linked Fund - (FVTPL)

(%)



- Banks
- Application Software
- Capital Goods
- Consumer Durables & Apparel
- Consumer Services
- Diversified Financials
- Food & Staples Retailing
- Food Beverage & Tobacco
- Real Estate
- Retailing
- Transportation
- Telecommunication Services
- Materials



30.6 (c) Impairment of Fair Value Through Profit or Loss Financial Investments

At the reporting date, there were no fair value through profit or loss financial investments that were overdue and impaired.

30.7 Movement of Financial Investments

	Held to maturity	Loans and receivables	Available for sale	Fair value through profit or loss	Total
Rs. '000					
As at 1 January 2022	28,941,570	17,078,442	7,055,752	6,253,307	59,329,071
Purchases	12,730,829	2,299,750	9,597,550	4,228,570	28,856,699
Maturities	(6,371,937)	(6,199,768)	(2,244,000)	(76,266)	(14,891,971)
Disposals	-	-	(671,645)	(6,419,925)	(7,091,570)
Scrip Dividend	-	-	-	9,722	9,722
Fair value losses recorded in income statement (excluding net realised gains) classified as held for trading	-	-	-	(303,862)	(303,862)
Fair value gains recorded in OCI	-	-	(2,655,005)	-	(2,655,005)
Amortisation	195,992	27,002	96,254	1,766	321,014
Net change in accrued Interest	548,349	(197,232)	525,488	5,227	881,832
As at 31 December 2022	36,044,803	13,008,194	11,704,394	3,698,539	64,455,930

	Held to maturity	Loans and receivables	Available for sale	Fair value through profit or loss	Total
Rs. '000					
As at 1 January 2023	36,044,803	13,008,194	11,704,394	3,698,539	64,455,930
Purchases	7,441,894	1,988,997	15,563,739	19,315,038	44,309,668
Maturities	(3,298,001)	(4,281,132)	(8,353,731)	(233,073)	(16,165,937)
Disposals	-	-	(2,903,511)	(14,349,713)	(17,253,224)
Scrip Dividend	-	-	-	25,803	25,803
Fair value losses recorded in income statement (excluding net realised gains) classified as held for trading	-	-	-	509,985	509,985
Fair value gains recorded in OCI	-	-	5,855,085	-	5,855,085
Amortisation	164,320	27,877	794,104	19,411	1,005,712
Net change in accrued Interest	424,403	105,824	137,636	8,888	676,751
As at 31 December 2023	40,777,419	10,849,760	22,797,716	8,994,878	83,419,773

31 LOANS TO LIFE POLICYHOLDERS

Refer accounting policy in Note 25

Policyholder loans are granted up to 90% of the surrender value of a life insurance policy at a rate equivalent to market rate. Policyholder loans are initially measured at fair value and subsequently measured at the amortised cost. If the policyholder dies before the full repayment of the loan, the loan balance is deducted from the death benefit.

As at 31 December	2023 Rs. '000	2022 Rs. '000
Balance as at 1 January	1,602,733	1,481,977
Loans granted during the year	868,953	752,297
Repayments during the year	(708,007)	(631,541)
Provision for impairment	-	-
	1,763,679	1,602,733
Interest receivables on loans to life policyholders	604,342	515,383
Balance as at 31 December	2,368,021	2,118,116

NOTES TO THE FINANCIAL STATEMENTS

31.1 Collateral Details

As at 31 December 2023 surrender value of policyholder loans amounted to Rs. 3,740 million (2022 - Rs. 3,401 million).

If the total receivable of the loan, including interest due exceeds the surrender value, the policy terminates and becomes void.

The Company has a first lien on all policies which are subject to policy loans. This mitigates the Company's credit exposure on policy loans.

31.2 Fair Value of Loans to Life Policyholders

The fair value of the policyholder loans are equal to its carrying value as those are given at competitive market rates.

31.3 Concentration Risk of Loans to Life Policyholders

There is lower concentration of credit risk with respect to policyholders, as the Company has a large number of dispersed receivables.

31.4 Impairment of Loans to Life Policyholders

Policyholder loans are reviewed for impairment at each reporting date. As of 31 December 2023, no impairment loss was recorded on policyholder loans (2022 - Nil).

31.5 Number of Policy Loans

Number of policy loans due as at 31 December 2023 was 13,792 (2022 - 14,508).

32 REINSURANCE RECEIVABLE

Accounting Policy

Refer accounting policy in Note 25.

The Company cedes insurance risk in the normal course of business for majority of its Insurance Contracts. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract. Reinsurance is recorded gross in the statement of financial position unless a right to offset exists.

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 income statement.

Reinsurance assets are derecognised when the contractual rights are extinguished or expired.

As at 31 December	2023 Rs. '000	2022 Rs. '000
Reinsurance receivable on outstanding claims	199,700	239,370
Reinsurance receivable on settled claims	247,858	317,615
Total reinsurance receivables	447,558	556,985

32.1 Impairment of Reinsurance Receivable

The Board of Directors has assessed potential impairment loss of reinsurance receivable as at 31 December 2023. Based on the assessment, there was no impairment loss on reinsurance receivable.

32.2 Fair Value of Reinsurance Receivable

The carrying values disclosed above approximate the fair value at the reporting date.

32.3 The Aging of Reinsurance Receivable on Paid Claims

As at 31 December	2023 Rs. '000	2022 Rs. '000
Less than 60 days	171,654	147,450
More than 60 days	76,204	170,165
	247,858	317,615

32.4 Reinsurance Receivable Past Due but Not Impaired (On Paid Claims)

As at 31 December 2023, reinsurance receivable of Rs. 76 million (2022 - Rs. 170 million) were past due but not impaired. These relate to parties where there were no recent history of default.

32.5 Collateral Details

The Company does not hold any collateral as security against potential default by reinsurance counter parties.

32.6 Reinsurance Receivable on Outstanding Claims

This includes reinsurance reserves on claims that have not been paid and the reinsurance receivable have not been received.

32.7 Risk Management

Refer Note 7.1(c) to the financial statements for risk management initiatives relating to reinsurance.

33 PREMIUMS RECEIVABLE**Accounting Policy**

Refer accounting policy in Note 25.

Premiums receivable are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of premiums receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

Impairment losses on premiums receivable are the difference between the carrying amount and the recoverable amount. The impairment losses are recognised in the income statement.

The life insurance premiums for policies within the 30 day grace period are considered as due premium, subject to a provision for premium default. Premium default ratio is computed by analysing the default history. Commission and reinsurance premium relating to that accrued income are also recorded in the same manner.

As at 31 December	2023 Rs. '000	2022 Rs. '000
Premiums receivable from;		
Policyholders	788,787	579,978
Intermediaries (Including collections in transit)	262,657	298,463
Total premiums receivable	1,051,444	878,441

33.1 Fair Value of Premiums Receivable

The carrying amount disclosed above approximates the fair value at the reporting date.

33.2 Impairment of Premiums Receivable

The Management has assessed potential impairment loss of premiums receivable as at 31 December 2023. Based on the assessment, there was no impairment loss on premiums receivable (2022 - Nil).

33.3 Collateral Details

The Company does not hold any collateral as security against potential default by policyholders or intermediaries.

33.4 Risk Management Initiatives Relating to Premiums Receivable

Refer Note 7.2(c) to the financial statements for risk management initiatives relating to premiums receivable.

34 RECEIVABLES AND OTHER ASSETS**Accounting Policy**

Refer accounting policy in Note 25.

Staff / Agent Loans

Loans are granted as a benefit to Staff and Advisors subject to defined eligibility criteria. These are measured at amortised cost based on the prevailing interest rates at the loan grant date. Impairment test of loans are carried out when the indicators of impairment exist.

Inventories

Inventories are measured at the lower of cost or net realisable value. Cost is generally determined by reference to weighted average cost. Net realisable value is the estimated market price in the ordinary course of business less any estimated expense to sell.

As at 31 December	Note	2023 Rs. '000	2022 Rs. '000
Financial Assets			
Staff loans	34.1	289,346	285,760
Agent / advisor loans	34.2	6,302	18,779
Refundable deposits		45,806	45,866
Other receivables		7,512	4,641
		348,966	355,046
Non Financial Assets			
Taxes recoverable	34.5	271,609	263,064
Prepayments		159,884	120,565
Inventories		13,959	14,820
Advance payments		147,702	19,891
Other receivables		-	4,138
		593,154	422,478
Total receivables and other assets		942,120	777,524

NOTES TO THE FINANCIAL STATEMENTS

34.1 Staff Loans

As at 31 December	Note	2023 Rs. '000	2022 Rs. '000
Balance as at 1 January		294,140	326,927
Loans provided during the year		209,100	239,800
Payments / settlements during the year		(143,080)	(225,066)
Fair value adjustment during the year		(62,434)	(47,521)
Written off during the year		(5,420)	-
		292,306	294,140
Provision for impairment 34.1 (a)		(2,960)	(8,380)
Balance as at 31 December		289,346	285,760

34.1 (a) Provision for Impairment

As at 31 December	2023 Rs. '000	2022 Rs. '000
Balance as at 1 January	8,380	8,390
Charge / (reversal) during the year	-	(10)
Written off during the year	(5,420)	-
Balance as at 31 December	2,960	8,380

34.2 Agent Loans

As at 31 December	Note	2023 Rs. '000	2022 Rs. '000
Balance as at 1 January		47,202	57,170
Loans provided during the year		-	9,670
Payments / settlements during the year		(8,652)	(19,638)
		38,550	47,202
Provision for impairment 34.2 (a)		(32,248)	(28,423)
Balance as at 31 December		6,302	18,779

34.2 (a) Provision for Impairment

As at 31 December	2023 Rs. '000	2022 Rs. '000
Balance as at 1 January	28,423	32,980
Charge / (reversal) during the year	3,825	(4,557)
Balance as at 31 December	32,248	28,423

34.3 Impairment of Staff and Agent Loans

The Management has assessed potential impairment loss of staff and agent loans as at 31 December 2023. Based on the assessment, no additional impairment provision is required to be made in the financial statements as at the reporting date in respect of staff and agent loans, other than the amounts provided in Note 34.1(a) and 34.2(a).

34.4 Loans Granted to Directors

No loans have been granted to the Directors of the Company.

34.5 Taxes Recoverable

As at 31 December	2023 Rs. '000	2022 Rs. '000
ACT recoverable	92,296	92,296
WHT recoverable	179,313	170,768
	271,609	263,064

34.6 Fair Value

The fair value of staff loans are based on discounted cash flows. Discount rate is equal to AWPLR plus appropriate risk margin. The fair values of agent / advisor loans are equal to the carrying amount as they are granted at competitive market rates.

34.7 Refer Note 7.2(c) to the financial statements for risk management policies / initiatives relating to other financial assets.

34.8 Other Assets Pledged as Securities

None of the other assets have been pledged as securities for liabilities as at the reporting date (2022-Nil).

35 CASH AND CASH EQUIVALENTS

Accounting Policy

Cash and cash equivalents comprise cash in hand and at bank net of bank overdrafts that are repayable on demand.

35.1 Cash in Hand and at Bank

As at 31 December	2023 Rs. '000	2022 Rs. '000
Cash at Bank	720,009	839,846
Cash at Bank with related parties		
- Nations Trust Bank PLC	115,795	108,761
Cash in hand	3,671	3,725
Total cash in hand and at bank	839,475	952,332

35.2 Cash and Cash Equivalent in the Statement of Cash Flows

As at 31 December	Note	2023 Rs. '000	2022 Rs. '000
Cash in hand and at bank	35.1	839,475	952,332
Bank overdraft used for cash management purposes		(122,560)	(228,479)
Cash and cash equivalent in the statement of cash flows		716,915	723,853

35.3 Fair Value of Cash in Hand and at Bank

The carrying amounts disclosed above reasonably approximated the fair values at the reporting date.

35.4 Risk Management Initiatives Relating to Cash in Hand and at Bank

Please refer Note 7.2(c) to the financial statements.

36 STATED CAPITAL

Accounting Policy

Ordinary Shares

The Company has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

36.1 Rights of Ordinary Shareholders

The Company has only one class of ordinary shares and carry equal voting rights. 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 meetings of the Company. All issued shares are fully paid.

36.2 Shares Split

The shareholders of the Company at its Extraordinary General Meeting held on 31 March 2022 approved that the number of ordinary shares of the Company in issue be increased by way of a split of shares with effect from 05 April 2022; where by one (01) ordinary share was split in to ten (10) ordinary shares. The resulting number of shares after the split were 589,285,720. There was no change to the stated capital of the Company subsequent to the said split of shares. The shares resulting from split of shares carry the same voting and distribution rights of the holders of such shares.

As at 31 December	2023		2022	
	No. of shares	Rs. '000	No. of shares	Rs. '000
At the beginning of the year	589,285,720	1,000,000	58,928,572	1,000,000
Share split	-	-	530,357,148	-
At the end of the year	589,285,720	1,000,000	589,285,720	1,000,000

NOTES TO THE FINANCIAL STATEMENTS

37 Available for Sale Reserve

Nature and purpose of reserve

The Available for Sale reserves comprises the cumulative net change in the fair value of Available for Sale financial assets until the assets are derecognised or impaired.

As at 31 December	Note	2023 Rs. '000	2022 Rs. '000
Balance as at 1 January		(2,564,622)	137,776
Net change in fair value of AFS financial assets		1,811,557	(1,282,052)
Net change in fair value of AFS financial assets transferred to the income statement	37.1	15,477	(9,837)
		1,827,034	(1,291,889)
Net change in liabilities of insurance contracts arising from fair value changes in AFS financial assets		4,472,322	(1,404,906)
Net change in liabilities of insurance contracts arising from fair value changes in AFS financial assets transferred to the income statement	37.1	(446,091)	39,981
		4,026,231	(1,364,925)
Share of gains/ (losses) on AFS assets of equity accounted investee		45,412	(45,584)
Related tax		-	-
Balance as at 31 December		3,334,055	(2,564,622)

37.1 Net change in fair value transferred to the income statement

As at 31 December	2023 Rs. '000	2022 Rs. '000
Net change in fair value of AFS financial assets	15,477	(9,837)
Net change in liabilities of insurance contracts arising from fair value changes in AFS financial assets	(446,091)	39,981
Balance as at 31 December	(430,614)	30,144

38 Revaluation Reserve

Nature and purpose of the reserve

On revaluation of an asset, any increase in the carrying amount is recognised in the revaluation reserve in equity through OCI or used to reverse a previous loss on revaluation of the same asset, which was charged to the Income Statement. In this circumstance, the increase is recognised as income only to the extent of the previous written down in value. Any decrease in the carrying amount is recognised as an expense in the Income Statement or charged to the revaluation reserve in equity through OCI, only to the extent of any credit balance existing in the revaluation reserve in respect of that asset. Any balance remaining in the revaluation reserve in respect of an asset, is transferred directly to retained earnings on retirement or disposal of the asset.

Life Policyholders' Revaluation Reserve

As at 31 December	Note	2023 Rs. '000	2022 Rs. '000
Balance as at 1 January		1,792,119	1,796,366
Revaluation surplus during the year		299,362	-
Net gain on revaluation of land and buildings		2,091,481	1,796,366
Depreciation transfer during the year	27.11	(4,246)	(4,247)
		2,087,235	1,792,119
Unrealised gain reserve	38.1	475,860	475,860
Balance as at 31 December		2,563,095	2,267,979

The revaluation relates to land and building as indicated in Note 27.

38.1 Unrealised Gain Reserve

Unrealised gain reserve comprises of the gain from transferring the investment of Cornhill (Private) Limited and the gain on transferring the land and building at Kurunegala in 2011. These gains are recognised under the shareholder's fund.

39 Restricted Regulatory Reserve

Based on the direction issued by the IRCSL dated 20 March 2018, the Company has transferred Rs. 3,382 million attributable to Non-Participating and Non Unit Fund of Unit Linked business from Life Policyholder Fund to Life Shareholder Fund (SHF). The distribution of one off surplus to shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon receiving approval from the IRCSL. The one - off surplus in the SHF is represented by government debt securities as per the direction of the IRCSL [Note 30.2(a)].

As at 31 December	2023 Rs. '000	2022 Rs. '000
Transfer of one - off surplus from non participating fund	3,393,900	3,393,900
Transfer from shareholder fund for the one - off deficit created in the non unit fund of unit linked life insurance contracts	(11,966)	(11,966)
	3,381,934	3,381,934

40 Other Reserves

As at 31 December	Note	2023 Rs. '000	2022 Rs. '000
Reserve on merger with Cornhill (Private) Limited	40.1	16,752	16,752
Reserves on employee benefit liabilities	40.2	(37,927)	(13,388)
Employee share based option	40.3(a)	97,718	82,301
Total other reserves		76,543	85,665

40.1 Reserve on Merger with Cornhill (Private) Limited

The unrealised gain reflects the net result of the merger of the Company and Cornhill (Private) Limited. The investment in Cornhill (Private) Limited was absorbed by merging all assets and liabilities into the life policyholders' statement of financial position.

40.2 Reserves on Retirement Benefit Obligation

Refer Note 45 for Accounting Policies.

As at 31 December	2023 Rs. '000	2022 Rs. '000
Balance as at 1 January	(13,388)	(14,167)
Actuarial gains / (losses) on defined benefit plan	(10,094)	(5,292)
Share of actuarial gains / (losses) on defined benefit plan of equity accounted investee	(14,445)	6,071
Related tax	-	-
Balance as at 31 December	(37,927)	(13,388)

40.3 Employee Share Based Option

Accounting Policy

Employees receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity settled transactions). The cost of the employee services received in respect of the shares or share options granted is recognised in the income statement over the period that employees provide services, from the time when the award is granted up to the vesting date of the options. The overall cost of the award is calculated using the number of share options expected to vest and the fair value of the options at the date of grant.

Equity Settled Transactions

The cost of equity settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity settled transaction where vesting is conditional upon a market or non vesting condition, which are treated as vesting irrespective of whether or not the market or non vesting condition is satisfied, provided that all other performance and service conditions are satisfied.

NOTES TO THE FINANCIAL STATEMENTS

Where the terms of an equity settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non vesting conditions within the control of either the entity or the employee are not met.

However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled award and the new award are treated as if they were a modification of the original award, as described in the previous paragraph.

Description of The Employee Share Option Scheme

Under the John Keells Group's Employee Share Option Scheme (ESOP), share options of the Parent are granted to senior executives of the Company and is dependent on a performance criteria and a service criteria. SLFRS 02 - Share based payment has been applied to equity instruments in share based transactions that were granted after 1 January 2012, which was the effective date of the standard. Hence options granted subsequent to this date have been accounted for as per the standard. All options are to be settled by shares and there are no cash settlement alternatives.

The Directors confirm that the Company has not granted any funding to employees to exercise options.

The terms and conditions of the grants are as follows;

Grant date / employees entitled	Method of valuation	Vesting conditions	Contractual life of the Awards	Exercise price
The grant date for each Award is on the 1 of July of that respective financial year. Senior executives of the company with more than 12 months of service as at the respective reporting date.	Please refer Note 40.3(b)	Vests over a period of four years. A minimum performance achievement of meeting the Key Result Areas (KRAs) and being in employment at the time the share options vests.	5 years for each Award	For each 'Award' it is equal to the 30 day volume weighted average market price of the underlying shares on the date of grant.

Accounting judgements, estimates and assumptions

Estimating fair value for share-based payment transactions require determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield and making assumptions about them.

The John Keells Group measures the cost of equity settled transactions with employees relevant to the entire Group by reference to the fair value of the equity instruments on

the date at which they are granted. The same assumptions have been used by the Company as John Keells Group's Employee Share Option Scheme applies to the Company.

The expected life of the share options is based on the historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome either.

The following information which are relevant to the John Keells Holdings PLC were used and results were generated using binomial model for ESOP.

	2024	2024	2023	2022	2021	2020	2019
	Plan no 11	Plan no 11	Plan no 11	Plan no 10	Plan no 10	Plan no 10	Plan no 9
	Award 2.1	Award 2	Award 1	Award 3	Award 2	Award 1	Award 3
Dividend yield (%)	2.07	2.54	2.90	3.28	3.87	3.62	3.76
Expected volatility (%)	25.05	24.99	24.15	22.37	21.35	17.47	17.77
Risk free interest rate (%)	14.49	26.92	23.10	8.87	6.44	9.83	10.09
Expected life of share options (Years)	5	5	5	5	5	5	5
Weighted average share price at the grant date (LKR)	158.36	137.83	119.85	132.63	134.74	138.70	154.10
Weighted average remaining contractual life for the share options outstanding (Years)	3	3	3	3	3	3	3
Weighted average fair value of options granted during the year (LKR)	52.79	45.94	39.95	44.21	44.91	46.23	51.37
Exercise price for options outstanding at the end of the year (LKR)	145.59	137.86	121.91	136.64	132.86	136.97	154.10

Reconciliation of Outstanding Share Options

The following table illustrates the number of options (No.), weighted average exercise prices (WAEP) and movements of share options during the year:

As at 31 December	2023		2022	
	No.	WAEP (Rs)	No.	WAEP (Rs)
Outstanding at 1 January	1,186,446	140.62	995,009	149.02
Granted during the year	331,800	144.28	335,600	121.91
Forfeited during the year	(499,074)	142.45	(144,163)	173.25
Outstanding at 31 December	1,019,172	94.59	1,186,446	140.62
Exercisable at 31 December	182,650	130.89	441,876	143.56

40.3 (a) Employee Expenses for Share Based Payment Transactions

The expense recognised for employee services received during the year is as follows;

As at 31 December	2023	2022
	Rs. '000	Rs. '000
Balance as at 1 January	82,301	72,662
Expense arising from equity settled share-based payment transactions	15,417	9,639
Balance as at 31 December	97,718	82,301

The expense recognised for employee services is based on the Parent company's best estimate of the number of options that will ultimately vest. No expense is recognised for Awards that do not ultimately vest.

40.3 (b) Fair Value of the Share Options and Assumptions

The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

NOTES TO THE FINANCIAL STATEMENTS

41 RETAINED EARNINGS

As at 31 December	Note	2023 Rs. '000	2022 Rs. '000
Balance as at 1 January		10,042,833	8,587,910
Profit for the year		3,758,365	2,747,105
Transfer from revaluation reserve to retained earnings, net of tax	38	4,246	4,247
First and final dividends 2021		-	(1,296,429)
Balance as at 31 December		13,805,444	10,042,833

42 INSURANCE CONTRACT LIABILITIES

Accounting Policy

42.1 Recognition and Measurement

Life insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using the gross premium valuation method as prescribed by the Regulation of Insurance Industry Act No. 43 of 2000. The liability is determined as the discounted value of the expected contractual cash outflows less the discounted value of the expected premiums. Valuation assumptions are derived based on the best estimate experience with a prescribed risk margin to allow for adverse deviations. Non-participating liabilities are discounted using the fund based yield of the non-participating insurance fund.

The value of participating policy liabilities is the higher of the value of the guaranteed benefits liability and the total benefits liability, derived at the Participating Insurance Fund level. In calculating the guaranteed benefits liability, only the guaranteed benefits are considered and the cashflows are discounted using the risk free interest rate yield curve. Total benefits liability includes all the guaranteed and non-guaranteed benefits, and discounted cash flows using the fund based yield of the Participating Insurance Fund.

42.2 Use of Judgements and Estimates

42.2 (a) Product Classification

SLFRS 4 requires contracts written by insurers to be classified as either insurance contracts or investment contracts depending on the level of insurance risk transferred.

Insurance contracts are contracts under which one party (the Insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Significant insurance risk exists if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). The classification of contracts identifies both the insurance contracts that the Company issues and reinsurance contracts that the Company holds.

Contracts where the Company does not assume a significant insurance risk is classified as investment contracts.

Investment contracts are those contracts that transfer significant financial risks and no significant insurance risks. Financial risk is the risk of a possible future change in one or more of a specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, index of price or rates, credit ratings 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 expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participating features.

Discretionary Participating Features (DPF)

DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that;

- ⊙ are likely to be a significant portion of the total contractual benefits;
- ⊙ the amount or timing of which is contractually at the discretion of the issuer; and contractually based on:
- ⊙ The performance of a specified pool of contracts or a specified type of contract,
- ⊙ Realised and or unrealised investment returns on a specified pool of assets held by the issuer, and
- ⊙ The profit or loss of the company, fund or other entity that issues the contract.

Derivatives embedded in an insurance contract or an investment contract with DPF are separated and fair valued through the income statement unless the embedded derivative itself is an insurance contract or investment contract with DPF. The derivative is also not separated if

the host insurance contract and / or investment contract with DPF is measured at fair value through the profit and loss.

IRCSL regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and within which the Company may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the eligible surplus must be attributed to contract holders as a group (which can include future contract holders) and the amount and timing of the distribution to individual contract holders is at the discretion of the Company, subject to the advice of the appointed actuary. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance contract liabilities, as appropriate.

42.2 (b) Valuation of Life Insurance Contract Liabilities

Long duration contract liabilities included in the life insurance fund, result primarily from traditional participating, non participating life and universal life insurance products. Short duration contract liabilities are primarily group term. The actuarial reserves have been established based on the following;

- ⊙ Non participating liabilities and participating liabilities are discounted using their respective fund yield curves.
- ⊙ Mortality rates based on published mortality tables adjusted for actual experience as required by regulations issued by the IRCSL.
- ⊙ Surrender rates based on actual experience.

The amount of policyholder dividend to be paid is determined annually by the Company. The dividend includes life policyholders' share of net income that is required to be allocated by the insurance contract.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapses, surrender rates and discount rates as further detailed in notes to the financial statements. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to the life style, which could result in significant changes to the expected future mortality exposure.

Estimates are also made for future investment income arising from the assets backing Life Insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments. During the last year, Sri Lankan economy was impacted by geopolitical and foreign exchange

issues which introduced very high levels of volatility to the economic markets. As a result the interest rates increased a lot impacting the value of assets and also our expectations about future economic conditions. The fund based yield curves used in calculation of actuarial reserves have been derived using estimates of future economic conditions which still remains volatile and evolving in nature.

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the company's historical experience of lapses and surrenders.

42.3 De-recognition

The liability is de-recognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, by using a liability adequacy test.

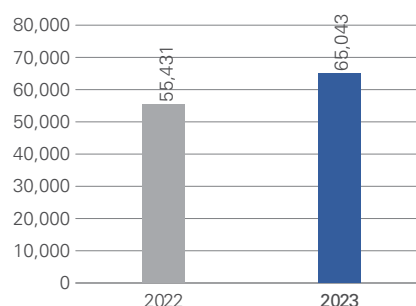
42.4 Valuation of Life Insurance Fund

The valuation of the conventional life insurance fund as at 31 December 2023 was carried out by Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited and a sum of Rs. 2,800 million was transferred from the conventional life insurance fund to the shareholders fund for the year 2023. Subsequent to the transfer the conventional life fund stood at Rs. 64,798 million.

Similarly the non unit fund of linked long term business valuation was carried out by Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited and the non unit fund stood at Rs. 246 million.

Conventional and Non Unit Fund

(Rs. Mn)



In the opinion of the appointed actuary, the admissible assets of the conventional life insurance fund and the non unit fund of linked long term business as at 31 December 2023 is adequate to cover the liabilities of the funds.

NOTES TO THE FINANCIAL STATEMENTS

42.5 Surplus from Life Insurance Fund Transferred to Life Shareholder Fund

As at 31 December	2023 Rs. '000	2022 Rs. '000
Conventional life insurance fund	2,800,000	2,300,000
Non unit fund of linked Life insurance	-	-
	2,800,000	2,300,000

42.6 Insurance Contract Liabilities

As at 31 December	Note	2023 Rs. '000	2022 Rs. '000
Life insurance fund	42.7	64,130,386	54,516,588
Charge relating to Surcharge Tax		-	(39,195)
One-off surplus arising from changing policy liability valuation relating to participating fund	42.14	435,046	435,046
Effect of Taxation on Surplus / Bonus transferred to - Policyholders	42.12	(55,072)	(33,923)
		64,510,360	54,878,516
Claim payables	42.16	533,024	552,377
		65,043,384	55,430,893

42.7 Composition of the Life Fund

As at 31 December	Note	2023			2022		
		Insurance contract liabilities	Reinsurance	Net	Insurance contract liabilities	Reinsurance	Net
Balance as at 1 January		58,040,021	(3,523,433)	54,516,588	51,791,163	(3,746,347)	48,044,816
Premium income / Reinsurance expenses	9/10	18,866,985	(1,032,590)	17,834,395	16,675,053	(887,546)	15,787,507
Liabilities paid for death, maturities, surrenders, benefits and claims	15	(7,604,730)	976,674	(6,628,056)	(6,309,729)	1,110,460	(5,199,269)
Benefits and claims experience variation		(2,934,109)	-	(2,934,109)	(2,804,949)	-	(2,804,949)
Investment return and other income		9,847,725	-	9,847,725	6,281,537	-	6,281,537
Expenses		(8,506,157)	-	(8,506,157)	(7,593,054)	-	(7,593,054)
Income tax expenses		-	-	-	-	-	-
Balance as at 31 December		67,709,735	(3,579,349)	64,130,386	58,040,021	(3,523,433)	54,516,588

42.8 Movement in Life Fund

As at 31 December	2023 Rs. '000	2022 Rs. '000
Conventional life insurance fund		
Balance as at 1 January	55,179,789	48,748,971
Charge relating to Surcharge Tax	-	(39,195)
Balance as at 1 January	55,179,789	48,709,776
Increase in life insurance fund before surplus transfer to shareholders	12,354,121	8,722,945
Transfer to shareholders	(2,800,000)	(2,300,000)
Effect of Taxation on Surplus / Bonus transferred to - Policyholders	(21,149)	(6,761)
Net change in unclaimed benefits	84,862	53,829
Balance as at 31 December - Conventional Life insurance	64,797,623	55,179,789
Non Unit Fund of Linked Life Insurance Contracts		
Balance as at 1 January	251,104	169,176
Increase in non unit fund of linked life insurance before surplus transfer to shareholders	98,872	48,827
Transfer to shareholders	-	-
Net change in unclaimed benefits	(104,215)	33,101
Balance as at 31 December - Non unit fund of linked Life insurance	245,761	251,104
	65,043,384	55,430,893

42.9 Key Assumptions used in Determination of Best Estimate Liability

Asset Class	Basis
Economic Assumptions	
Risk free rate	Risk free rate curve as of 31 December 2023 issued by IRCSL
Fund yield	Expected fund yields based on the Company's long term strategic asset allocation plan and the expected yield on the long term bonds with a risk premium adjustment for other asset classes.
Operating Experience Assumptions	
Mortality rate	Adjusted A67/70 mortality table rates based on company's experience study as of 31 December 2022.
Morbidity rate	Percentage of reinsurance rates, where the percentages are determined based on the morbidity studies performed as of 31 December 2022.
Expense rate and Expense inflation	Fixed & variable, acquisition and maintenance cost assumptions based on the 2022 experience study, with an inflation adjustment made to reconcile with the actual expenses in 2023. Sales related acquisition expenses are taken as a % of first year commission. Sales related maintenance expenses are taken as a % of renewal commission.
Lapse rates, paid-up rates and surrender rates	Rates are based on company's persistency study as of 31 December 2022.

42.10 Sensitivity Analysis

Sensitivity analysis of life insurance fund liability is provided in Note 7.1(a).

42.11 Expected Maturity Profile for Reserves for Insurance Contracts, Net of Reinsurance (Undiscounted cash flows)

As at 31 December	2023 Rs. '000	2022 Rs. '000
< 1 year	3,099	3,342
1 to 5 years	19,304	16,235
5 to 10 years	51,331	58,037
10 to 20 years	60,596	133,851
> 20 years	35,823	204,673
	170,153	416,138

42.12 Taxation on surplus distributed to the life insurance policyholder who participate in the profit share

In terms of Section 67 (2) of the Inland Revenue Act No. 24 of 2017 and amendments thereto, the surplus distributed to the Life Insurance Policyholder who shares the profits of a person engaged in the business of life insurance in a given year, shall be deemed as gains and profits of that person from the business and subject to tax at a rate of 30% (2022 - 30% & 24% at 50:50 Basis). As recommended by the Appointed Actuary Mr. Vivek Jalan, FIA, FIAI of Messrs. Towers Watson India Private Limited, the Company has declared a bonus of Rs. 70 million (Please refer point (3) of the Actuarial report provided in page 193) to Life Insurance Policyholders who were participating in the profit of Life Insurance business. Accordingly the Company has adjusted the respective tax liability to the life insurance fund.

42.13 Solvency Margin

In the opinion of the appointed actuary, Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited, the Company maintains a Capital Adequacy Ratio (CAR) of 291% and Total Available Capital (TAC) of Rs.31,360 million as at 31 December 2023, which exceeded the minimum requirement of 120% and Rs. 500 million respectively as per the Solvency Margin (Risk Based Capital) Rules.

NOTES TO THE FINANCIAL STATEMENTS

42.14 One - off Surplus Arising from Changing Policy Liability Valuation

The one off surplus comprises of Rs. 432.5 million attributable to participating business and Rs. 2.5 million attributable to Unit Linked Fund and Rs. 3,382 million attributable to Non-Participating and Non Unit Fund of Unit Linked Business.

Based on the directions issued by the IRCSL dated 20 March 2018 and subsequent approval, the Company has transferred Rs. 3,382 million attributable to non-participating and non unit fund of unit linked business

from life policyholder fund through Income Statement to life shareholder fund and held as part of the Restricted Regulatory Reserve under equity in the statement of financial position.

One - off Surplus was determined as the difference between the NPV solvency basis liability and the GPV distribution basis liability as of 31 December 2015. This is calculated for Participating and other than participating funds, separately. Above basis is in line with the 'Minimum One - off Surplus' calculation basis provided in the IRCSL guideline.

Disclosure in the Financial Statements	Participating Fund	Non Participating Fund	Non Unit Fund	Unit Link Fund	Total
Value of Insurance contract liability based on Independent Actuary - NPV as at 31 December 2015	9,375,793	13,063,008	7,132	2,543,761	24,989,694
Value of Insurance contract liability based on Independent Actuary - GPV as at 31 December 2015	8,943,287	9,669,108	19,098	2,541,221	21,172,714
Surplus created due to change in valuation method - One off Surplus as at 01/01/2016	432,506	3,393,900	(11,966)	2,540	3,816,980
Transfer of one off surplus from long term fund to Restricted Regulatory Reserve	-	3,393,900	(11,966)	-	3,381,934
Remaining surplus created due to change in valuation method - One off Surplus	432,506	-	-	2,540	435,046

Applicable disclosures required in the Financial Statements as per Identification and Treatment of One - Off Surplus: Direction #16 issued on - 20.03.2016, under Section 96A of the Regulation of Insurance Industry Act No. 43 of 2000 are given below;

Disclosure in the Financial Statements	Compliance with the Requirement	Page reference
i Equity and statement of changes in equity to include a new line item called 'Restricted Regulatory Reserve' with value equal to one - off surplus for other than participating business. Adequate disclosure to be made with regards to 'Restricted Regulatory Reserve'.	Complied [Note 39]	279
ii Disclosure stating 'distribution of one - off surplus to shareholders', held as 'Restricted Regulatory Reserve', is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon approval from the IRCSL.	Complied [Note 39]	279
iii The basis of computation of one - off surplus. Any deviation from the direction in respect of determining the 'minimum one - off surplus'.	Complied [Note 42.14]	286
iv One-off surplus relating to participating and other than participating should be disclosed separately.	Complied [Note 42.14]	286
v Disclosure on composition of investments supporting the Restricted Regulatory Reserve.	Complied [Note 30.2(a)]	266

42.14 (a) Distribution of One-off Surplus

The distribution of One-off surplus to Shareholders as dividends shall remain restricted until a Company develops appropriate policies and procedures for effective management of its business, as listed below. These policies should be approved by the Board of Directors of the Company and must also comply with any relevant guidance issued by IRCSL from time to time. Further regulator will reconsider the distribution of One-off Surplus when the RBC rules are revised.

- ⊙ Expense allocation policy setting out basis of allocation of expenses between the Shareholder Fund and the Policyholder Fund as well as between different lines of business within the Policyholder Fund, particularly participating and non-participating.
- ⊙ Dividend declaration policy for universal life business.
- ⊙ Bonus policy for the participating business, which should include treatment of One-off Surplus for the purpose of bonus declaration.
- ⊙ Asset-liability management policy.
- ⊙ Policy on internal target Capital Adequacy Ratio
- ⊙ Considerations for transfer of funds from Policyholder Fund to Shareholder Fund

The IRCSL will permit distribution of One-off Surplus subject to yearly distribution caps on a case-by-case basis.

42.15 Liability Adequacy Test (LAT) - Life Insurance Contract Liabilities

Accounting Policy

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4 - Insurance Contracts. The liability value is adjusted to the extent that it is sufficient to meet future benefits and expenses.

In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows to the extent that the test involves discounting of cash flows, the interest rate applied based on management's prudent expectation of current market interest rates.

Any deficiency shall be recognised in the Income Statement by setting up a provision for liability adequacy.

Valuation

SLFRS 4 requires an insurer to assess whether its recognized insurance liabilities are adequate at the end of each reporting period. The Liability Adequacy Test has been performed as at 31 December 2023 to reflect most probable estimates of assumptions (with some degree of prudence) and using professional judgement liaising with company's Appointed Actuaries (Willis Towers Watson India (Private) Limited). As at the reporting date, liability adequacy test was performed by the Appointed Actuary Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India (Private) Limited and concluded that, the liability value has been determined on a 'going concern' basis and assumes a continuation of current economic, regulatory and legal environment prevailing in Sri Lanka; and are considered sufficient to meet future benefits and expenses under what is believed to be a view of the 'most probable' future experience.

No provision was required to be made for any premium deficiency.

Details of LAT reports is provided in page 193 to this report

42.16 Direction 18 - Unclaimed benefits of long term insurance business

There was no transfer of any unclaimed benefit to shareholders and it was recorded as a liability in the long term insurance fund.

43 INSURANCE CONTRACT LIABILITIES - UNIT LINKED

Accounting Policy

Unit linked contracts are those that do not meet the definition of insurance contract or investment contract with discretionary participating features. For these Unit linked contracts, the liabilities are valued at current unit value, i.e. on the basis of the fair value of the financial investment, backing those contracts at the reporting date together with rights to future management fees.

As at 31 December		2023	2022
	Note	Rs. '000	Rs. '000
Liability of Fund investment		258,688	460,389
Liability of Fund income	43.1	460,004	286,095
Total insurance contract liabilities - Unit Linked		718,692	746,484

NOTES TO THE FINANCIAL STATEMENTS

43.1 Movement in Liability of Fund Income

As at 31 December	2023 Rs. '000	2022 Rs. '000
Balance as at 1 January	286,095	290,247
Net investment income	57,940	61,955
Net realised gains	23,788	3,682
Net fair value gains / (losses)	103,036	(58,389)
Management fee expense	(10,855)	(11,400)
Balance as at 31 December	460,004	286,095

Fair Value of the Financial Investments Backing Unit Linked Contracts are as follows.

As at 31 December	2023 Rs. '000	2022 Rs. '000
Government securities	234,428	262,288
Equity instruments	407,186	371,242
Corporate debt instruments	65,392	104,574
Unit trust	71	-
	707,077	738,104
Other financial investments and assets	17,314	13,368
Other unit linked liabilities	(5,699)	(4,988)
Insurance contract liabilities - Unit Linked	718,692	746,484

44 LEASE LIABILITY

Accounting Policy

Refer accounting policy in Note 28.

	2023 Rs. '000	2022 Rs. '000
Balance as at 1 January	448,719	421,300
New lease agreements recognised during the year	91,852	159,599
Interest expenses for the year	38,969	33,825
Termination	-	(4,954)
Payment of lease liabilities	(157,000)	(161,051)
Balance as at 31 December	422,540	448,719

45 EMPLOYEE BENEFITS LIABILITIES

Accounting Policy

45.1 Defined Contribution Plans

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the income statement in the periods during which related services are rendered by employees.

Employees' Provident Fund

All employees of the Company are members of the Employees' Provident Fund (EPF). The Company and employees contribute 12% and 8% respectively of the salary, monthly to the Employees Provident Fund managed by the Central Bank of Sri Lanka.

Employees' Trust Fund

All employees of the Company are members of the Employees' Trust Fund (ETF). The Company contributes each month at the rate of 3% of the salaries of each employee, to the Employees' Trust Fund administrated by the Employees' Trust Fund Board.

Defined Contribution Plans

Following contributions have been made to the employee provident fund and employee trust fund during the year.

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Employees' Provident Fund (EPF)		
Employer's contribution (12%)	111,134	100,373
Employee's contribution (8%)	74,089	66,915
Employees' Trust Fund (ETF)		
Employer's contribution (3%)	27,784	25,093

45.2 Defined Benefit Plans - Gratuity

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

As per LKAS 19 - Employee Benefits, the re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in the statement of profit or loss and other comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The obligation is not externally funded.

45.3 Other Long Term Employee Benefits

The previous Long-Term Incentive Plan (LTI) has been launched for senior management to incentivise achievement of strategic targets. The liability recognised in the statement of financial position is the present value of the estimated future cash outflows of the long term incentive plan as at the reporting date. Re-measurements are recognised in profit or loss in the period in which they arise. The plan was withdrawn during the year.

45.4 Employee Benefit Liabilities

As at 31 December	Note	2023 Rs. '000	2022 Rs. '000
Employee defined benefit plan - gratuity	45.4.(a)	190,578	152,327
Other long term employee benefits	45.4.(b)	-	134,364
Balance as at 31 December		190,578	286,691

45.4.(a) Movement in Present Value of Gratuity

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Balance as at 1 January	152,327	140,248
Included in Profit or Loss:		
Current service cost	21,214	24,780
Past service cost	-	-
Interest cost	28,180	15,427
	49,394	40,207
Included in OCI:		
Net actuarial (gain) / loss on obligation	10,094	5,292
Other		
Gratuity transfer	-	1,689
Payments during the year	(21,237)	(35,109)
Balance as at 31 December	190,578	152,327

Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised immediately in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the the-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the Income Statement.

45.4.(b) Other Long Term Employee Benefits

	2023 Rs. '000	2022 Rs. '000
Balance as at 1 January	134,364	99,667
(Reversal) / Charge of the provision during the year	(134,364)	34,697
Balance as at 31 December	-	134,364

45.5 Principal Actuarial Assumptions Used

The defined benefit obligation liability of the Company is based on an actuarial valuation carried out by Mr. M. Poopalanathan (AIA) of Actuarial & Management Consultants (Pvt) Ltd. an Independent Actuary. The actuarial valuation involves making assumptions about discount rates and future salary increases. Due to the complexity of the valuation and the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The Company has considered the impact on the defined benefit obligations due to changes in economic factors as a result of the prevailing macroeconomic conditions, with support of the independent actuarial expert.

A long term treasury bond rate of 13.5% per annum (2022: 18.5%) has been used to discount the future liability taking into consideration remaining working life of eligible employees. Further, the salary increment rate of 10% is considered appropriate to be in line with the Company's targeted future salary increments when taking into account the current market conditions and inflation rate.

Due to the discount rate and salary increment rate assumptions used, nature of non-financial assumptions and experience of the assumptions of the company, there is no significant impact to employment benefit liability as a result of prevailing macro-economic conditions.

	2023 Rs. '000	2022 Rs. '000
Financial assumptions		
Discount rate	13.5%	18.5%
Salary increase	10%	15%
Demographic assumptions		
Staff turnover rate - early withdrawal through resignations		
i) Less than 5 years	26.5%	19%
ii) More than 5 years	5%	6%
Retirement age	60 Years	60 Years

NOTES TO THE FINANCIAL STATEMENTS

Assumptions regarding future mortality are based on the A1967/70 issued by the Institute of Actuaries, London. Weighted average duration for retirement obligation is 4 years in 2023 (2022 - 5.2 years).

45.6 Maturity Analysis of the Payments

The following payments are expected on employee benefit liabilities in future years

	2023 Rs. '000	2022 Rs. '000
Within the next 12 months	31,904	20,422
Between 1 and 2 years	27,187	16,000
Between 2 and 5 years	63,519	59,337
Over 5 years	67,968	56,568
Total expected payments	190,578	152,327

45.7 Sensitivity Analysis

Reasonably possible variation in one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

Increase / (Decrease) in discount rate	Increase / (Decrease) in Salary Increment	Change in employee defined benefit liability Rs'000	Estimated employee defined benefit liability Rs'000
1 %		(6,685)	183,893
-1 %		7,764	198,342
	1 %	8,367	198,945
	-1 %	(7,860)	182,718

Methods and assumptions used in preparing the sensitivity analysis

The sensitivity analysis above have 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 are based on a change in a significant assumption, keeping all other assumptions constant. 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 and such methodology has not been changed compared to the previous year.

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

	2023 Rs. '000	2022 Rs. '000
Balance as at 1 January	636,154	1,038,267
Arising during the year	937,792	843,080
Utilised during the year	(1,208,919)	(1,245,193)
Balance as at 31 December	365,027	636,154

46 REINSURANCE PAYABLES

Accounting Policy

Refer accounting policy in Note 25

Reinsurance payables represent balances due to reinsurance companies. Amounts payable are recognised when due and measured on initial recognition at fair value less directly attributable transaction costs in a manner consistent with the related reinsurance contract.

47 OTHER LIABILITIES

Financial Liabilities

Refer accounting policy in Note 25

The Company initially recognises financial liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method

Other Liabilities

Other Liabilities include accruals and advances and these liabilities are recorded at the amounts that are expected to be paid.

As at 31 December	Note	2023 Rs. '000	2022 Rs. '000
Other Financial Liabilities			
Agency commission, incentive and other payables		480,796	470,206
Premiums in suspense		1,267,478	1,119,441
Other liabilities		717,260	593,732
		2,465,534	2,183,379
Other Non Financial Liabilities			
Government levies	47.1	855,851	703,156
Other staff related provisions		306,908	360,000
Other liabilities and accruals		1,016,684	729,533
Premium received in advance		832	1,730
		2,180,275	1,794,419
Total other liabilities		4,645,809	3,977,798

47.1 Government Levies

As at 31 December	Note	2023 Rs. '000	2022 Rs. '000
Other Financial Liabilities			
Income tax payable		808,084	664,082
Crop insurance payable		23,340	18,941
Cess payable		10,473	8,705
Other		13,954	11,428
		855,851	703,156

Maturity schedule of other financial liabilities as of 31 December 2023 and 2022 are shown in Note 7.2(b) to the financial statements.

48 RELATED PARTY DISCLOSURES

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

The Company carries out transactions in the ordinary course of its business on an arm's length basis with parties who are defined as related parties in Sri Lanka Accounting Standard LKAS 24 - Related Party Disclosures. Outstanding current account balances are unsecured, interest free and settlement occurred in cash.

48.1 Parent and Ultimate Controlling Party

The Company's immediate and ultimate controlling party is John Keells Holdings PLC.

48.2 Recurrent Related Party Transactions

There were no recurrent related party transactions which in aggregate value exceeded 10% of the gross revenue of the Company as per 31 December 2023 audited financial statements, which required additional disclosures in the 2023 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

48.3 Non-Recurrent Related Party Transaction

There were no non-recurrent related party transactions which aggregate value exceeded 10% of the equity or 5% of the total assets of the Company which ever is lower as per 31 December 2023 audited financial statements, which required additional disclosures in the 2023 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

NOTES TO THE FINANCIAL STATEMENTS

48.4 Transactions with Key Management Personnel (KMPS)

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities directly or indirectly. Accordingly, the KMP include members of the Board of Directors of the Company and selected key employees who meet the criteria for KMP. Senath Jayatilake was appointed as the CEO of the company w.e.f 01 January 2024.

As John Keells Holdings PLC (JKH) is the ultimate parent of the Company and the Board of Directors of JKH has the authority and responsibility of planning, directing and controlling the activities of the Company, the Directors of JKH have also been identified as KMP of the Company.

48.4 (a) Compensation of KMPS

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Short term employment benefits	311,938	185,252
Post employment benefits	27,448	19,011
Other long term benefits	-	-
Termination benefits	-	-
Share based benefits	-	-
Total	339,386	204,263

The short term employment benefits include Non Executive Directors fees and emoluments paid to other key management personnel. Where applicable Directors fees are paid directly to the companies that the Directors represent. There are no short - term, long - term, post - employment, terminal and share - based payments linked to the remuneration of the Non - Executive Directors and no ex - gratia payments were made to Directors during the year. No loans have been granted to the Directors of the Company.

48.4 (b) Transactions, Arrangements and Agreements Involving KMPS, and their Close Family Members (CFMS)

CFMs of a KMP are those family members who may be expected to influence, or be influenced by that KMP in their dealings with the entity. They may include KMPS' domestic partner and children, children of the KMPS' domestic partner and dependents of the KMP or the KMPS' domestic partner.

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Insurance premium	342	370

The Directors of the Company and their immediate relatives do not have substantial shareholdings in the Company as at 31 December 2023.

48.4 (c) Share Based Benefits to KMP and CFM

As at 31 December	2023 Rs. '000	2022 Rs. '000
Number of ordinary shares held	-	-
Dividends Paid (in Rs. 000)	-	-

48.5 Transactions with Related Entities

The Directors of the company as at 31 December 2023 was also Directors of the following companies as set out below and transactions included in Note 48.5(a), 48.5(b), 48.5(c) and 48.5(d) have been carried out with such companies.

Company	Name of Director	Position	Relationship	Details of financial dealings
John Keells Holdings PLC	Mr K N J Balendra	Chairperson	John Keells Holdings PLC own 90% of the Company's issued share capital	The Company has transactions in the normal course of business with John Keells Holdings PLC, its subsidiaries and associate companies
John Keells Office Automation (Pvt) Ltd	Mr. D P Gamlath	Director	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with John Keells Office Automation (Pvt) Ltd
Asian Hotels and Properties PLC	Mr K N J Balendra	Chairperson	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Asian Hotels and Properties PLC
	Mr. S Rajendra	Director		
Trans Asia Hotels PLC	Mr K N J Balendra	Chairperson	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Trans Asia Hotels PLC
	Mr. S Rajendra	Director		
John Keells Foundation	Mr K N J Balendra	Chairperson	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with John Keells Foundation
Walkers Tours Limited	Mr. S Rajendra	Director	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Walkers Tours Limited
Whittall Boustead (Travel) Limited	Mr. S Rajendra	Director	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Whittall Boustead (Travel) Limited
Ceylon Cold Stores PLC	Mr K N J Balendra	Chairperson	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Ceylon Cold Stores PLC
	Mr. D P Gamlath	Director		
John Keells Hotels PLC	Mr K N J Balendra	Chairperson	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with John Keells Hotels PLC
	Mr. S Rajendra	Director		
South Asia Gateway Terminals (Pvt) Ltd	Mr K N J Balendra	Chairperson	Associate of John Keells Holdings PLC	The Company has transactions in the normal course of business with South Asia Gateway Terminals (Pvt) Ltd
	Mr. D P Gamlath	Director		
Tea Smallholder Factories PLC	Mr K N J Balendra	Chairperson	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with Tea Smallholder Factories PLC
John Keells Stock Brokers (Pvt) Ltd	Mr. S Rajendra	Director	Fellow Subsidiary of Union Assurance PLC	The Company has transactions in the normal course of business with John Keells Stock Brokers (Pvt) Ltd
	Mr. D P Gamlath	Director		
Asia Securities (Pvt) Ltd	Mr. D H Fernando	Chairperson	Related entity via key management personnel	The Company has transactions in the normal course of business with Asia Securities (Pvt) Ltd
Asia Securities Wealth Management (Pvt) Ltd	Mr. D H Fernando	Chairperson	Related entity via key management personnel	The Company has transactions in the normal course of business with Asia Securities Wealth Management (Pvt) Ltd
Acorn Travels (Pvt) Ltd	Mr. W M De F Arsakularatne - Resigned w.e.f 06 March 2023	Chairperson	Related entity via key management personnel	The Company has transactions in the normal course of business with Acorn Travels (Pvt) Ltd
Insurance Consulting Asia Ltd	Mr. S.A Appleyard	Chairperson	Related entity via key management personnel	The Company has transactions in the normal course of business with Insurance Consulting Asia Ltd

NOTES TO THE FINANCIAL STATEMENTS

48.5 (a) Transactions with the Parent and Ultimate Controlling Party

As at 31 December	2023 Rs. '000	2022 Rs. '000
Statement of financial position		
Assets		
Financial instruments	620,702	417,404
	620,702	417,404
Liabilities		
Other liabilities	(28,146)	(21,545)
	(28,146)	(21,545)

Transacted amounts for the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Income Statement		
Gross written premium	6,780	1,452
Net benefits and claims	(1,700)	(400)
Other operating and administrative expenses	(182,338)	(133,219)
Dividend Income received	3,226	8,737
Dividend Paid	-	(1,166,786)
Statement of financial position		
Net Purchase/(Sale) of financial instruments	81,748	(295,453)

48.5 (b) Transactions with / Between Subsidiary Companies and Associates of the Parent Company and Other Related Entities

As at 31 December Company	Relationship with John Keells Holdings PLC	Investment / Nature of transaction	2023	2022
Statement of financial position				
Financial investments				
Nations Trust Bank PLC	Associate	Debenture Investments and Distribution Rights	882,083	1,311,457
John Keells Hotels PLC	Subsidiary	Shares	50,522	111,964
Ceylon Cold Stores PLC	Subsidiary	Shares	-	22,661
			932,605	1,446,082
Other liabilities				
Other subsidiaries and associates		Payable for shared services	(8,851)	(21,216)
			(8,851)	(21,216)

For the year ended 31 December Company	Relationship with John Keells Holdings PLC	Investment / Nature of transaction	Transaction amount during the year
Rs. '000			2023 2022
Income statement			
Gross written premium			
Other subsidiaries and associates			65,777 42,437
			65,777 42,437
Net benefits and claims			
Other subsidiaries and associates			(6,200) (8,795)
			(6,200) (8,795)
Investment income			
Nations Trust Bank PLC	Associate	Debentures interest income	65,186 90,699
Ceylon Cold Stores PLC	Subsidiary	Dividend	837 504
			66,023 91,203

For the year ended 31 December Company	Relationship with John Keells Holdings PLC	Investment / Nature of transaction	Transaction amount during the year	
Rs. '000			2023	2022
Other operating and administrative expenses				
Other subsidiaries and associates			(468,857)	(406,977)
			(468,857)	(406,977)
Statement of financial position				
Assets				
Property, plant & equipment and intangible assets				
Other subsidiaries and associates		Acquisition of property plant, & equipment and intangible assets	9,785	31,373
			9,785	31,373
Net Purchase / (Sale) of financial instruments				
Ceylon Cold Stores PLC	Subsidiary		(25,396)	17,140
John Keells Hotels PLC	Subsidiary		(72,303)	51,487
			(97,699)	68,627
Employee benefit liabilities				
Mackinnons Travels (Pvt) Ltd	Subsidiary	Gratuity transfer	-	84
Walkers Tours Ltd	Subsidiary		-	1,494
Cinnamon Hotel Management Ltd	Subsidiary		-	110
			-	1,688

48.5 (c) Transactions with / Between Associate of the Company - Fairfirst Insurance Ltd

	2023	2022
	Rs. '000	Rs. '000
Statement of Financial Position		
Other receivables *	-	-
Other liabilities *	-	-
For the year ended 31 December	Transaction amount during the year	
Rs. '000	2023	2022
Income Statement		
Gross written premium	4,976	-
Net benefits and claims	(5,500)	-
Other operating and administrative expenses	(75,402)	(63,857)

*Relating to current account transactions and are payable / receivable on demand.

NOTES TO THE FINANCIAL STATEMENTS

48.5 (d) Companies controlled / jointly controlled / significantly influenced by KMP and their close family members

For the year ended 31 December		Transaction amount during the year	
		2023	2022
Income Statement			
Asia Securities (Pvt) Ltd	Gross written premium	6,317	4,042
	Net benefits and claims	(7,369)	(2,601)
	Stock Brokerage Commission	(21,180)	(25,864)
Asia Securities Wealth Management (Pvt) Ltd	Unit Trust Management Fees	(74)	(99)
Acorn Travels (Pvt) Ltd	Other operating and administrative expenses	(8,269)	(8,191)
Insurance Consulting Asia Ltd	Other operating and administrative expenses	(17,405)	-

48.5 (e) No guarantees given or received during the year.

48.5 (f) Impairment

Management concluded that no impairment is required in relation to the receivable balances as at the reporting date.

No expenses has been recognized in the current year or prior year for bad and doubtful debts in respect of amounts owed by the related parties.

49 COMMITMENTS

49.1 Capital Commitments

There were no significant capital commitments as at the reporting date.

50 EVENTS AFTER THE REPORTING DATE

Accounting Policy

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

All material events after the reporting date have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements.

50.1 Dividends

The Board of Directors of the Company has declared a first and final dividend of Rs. 8.75 per share out of retained earnings for the financial year ended 31 December 2023 on 29 February 2024. The dividend will be paid on or before 02 April 2024.

As required by the Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the Company satisfied the solvency test in accordance with Section 57 prior to declaring the first and final dividend. A statement of solvency duly completed and signed by the Directors has been audited by Messrs. KPMG.

In accordance with LKAS 10, Events After the Reporting Period the first and final dividend has not been recognised as a liability in the financial statement as at 31 December 2023.

There have been no events subsequent to the reporting date, which would have any material effect on the Company other than above.

51 PROVISIONS AND CONTINGENCIES

Accounting Policy

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre - tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised in the profit or loss.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

Use of Judgments and Estimates

The Company receives legal claims against it in the normal course of business. Management has made judgement 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 the respective legal jurisdictions.

The contingent liabilities of the Company as at 31 December 2023, relates to the following;

51.1 Income tax assessments relating to years of assessments 2010/11, 2011/12, 2012/13, 2013/14, 2014/15, 2015/16, 2016/17, 2017/18, 2018/19 and 2019/20

The Department of Inland Revenue (IRD) has raised assessments on Union Assurance PLC for the years of assessments 2010/11 and 2011/12, assessing the Life insurance business to pay income tax liabilities of Rs. 13 million and Rs. 132 million respectively. Company lodged appeals against the said assessments with the Tax Appeals Commission (TAC) and TAC issued its determinations in favour of the Inland Revenue Department. Cases were filed at the Court of Appeal against said determinations.

The IRD has raised assessments on Union Assurance PLC for the years of assessments 2012/13, 2013/14, 2014/15, 2015/16, 2016/17, 2017/18, 2018/19 and 2019/20 assessing the Life insurance business to pay income tax liabilities of Rs.411 million together with a Rs. 233 million penalty totalling to Rs. 644 million, Rs. 175 million together with a Rs. 88 million penalty totalling to Rs. 263 million, Rs. 887

million together with a Rs. 443 million penalty totalling to Rs.1,330 million, Rs. 832 million together with a Rs. 416 million penalty totalling to Rs. 1,248 million, Rs. 472 million together with a Rs. 236 million penalty totalling Rs. 708 million, Rs.749 million along with a Rs. 368 million penalty totalling to Rs.1,117 million, Rs. 701 million along with a Rs. 498 million penalty totalling to Rs. 1,199 million and Rs. 856 million respectively. The Company has lodged valid appeals against said assessments with the Tax Appeals Commission (TAC).

VAT assessments relating to years of assessments 2018 and 2019

The IRD has raised assessments on Union Assurance PLC for the years of assessments 2018 and 2019, assessing the Life insurance business to pay a VAT liability of Rs.0.01 million along with a Rs. 0.009 million penalty totalling Rs. 0.02 million and Rs. 0.06 million along with a Rs. 0.04 million penalty totalling Rs. 0.1 million respectively. The Company has lodged valid appeals with the Commissioner General of IRD against said assessments.

VAT and NBT on Financial Services assessments relating to years of assessment 2016, 2017, 2018 and 2019

The IRD has raised an assessment on Union Assurance PLC for the year of assessment 2016, assessing the Life insurance business to pay a VAT and NBT on Financial Services liability of Rs. 69 million along with a Rs. 37 million penalty totalling to Rs. 106 million. The Company has lodged valid appeals against the said assessments with the TAC. The TAC issued its determination in favor of the company on NBT on Financial Service.

The IRD has raised an assessment on Union Assurance PLC for the year of assessment 2017, assessing the Life insurance business to pay a VAT and NBT on Financial Services liability of Rs. 336 million along with a Rs. 168 million penalty totalling to Rs. 504 million. The Company has lodged valid appeals against the said assessment with the TAC.

The IRD has raised an assessment on Union Assurance PLC for the year of assessment 2018, assessing the Life insurance business to pay a VAT and NBT on Financial Services liability of Rs. 130 million along with a Rs. 8 million penalty totalling to Rs. 138 million. The IRD issued its determination in favour of the Company on VAT on Financial services.

NOTES TO THE FINANCIAL STATEMENTS

The IRD has raised an assessment on Union Assurance PLC for the year of assessment 2019, assessing the Life insurance business to pay a VAT on Financial Services liability of Rs. 108 million along with a Rs. 54 million penalty totalling to Rs. 162 million. The Company has lodged a valid appeal with the Commissioner General of Inland Revenue against the said assessment.

Directors are of the view that the Company has followed due process and acted in accordance with the prevailing laws in its tax submissions for above years of assessments and therefore, the above assessments have no rationale or basis in law.

The Company operates in the insurance industry and is subject to legal proceedings in the normal course of business

While it is not practicable to forecast or determine the final results of all pending or potential legal proceedings, Directors do not believe that such proceedings (including litigation) will have a material effect on the Company's results and financial position. All pending litigation for claims have been evaluated and adequate provisions have been made in the financial statements.

The Company is also subject to insurance solvency regulations and has complied with all solvency regulations.

There are no contingencies associated with the Company's compliance or lack of compliance with such regulations.

52 COMPARATIVE INFORMATION

The presentation and classification in the financial statements have been amended where appropriate to ensure comparability with the current year.

Comparative amounts in the statement of cash flow were reclassified for consistency. As a result, Rs. 10 million was reclassified from financing activities to operating activities.

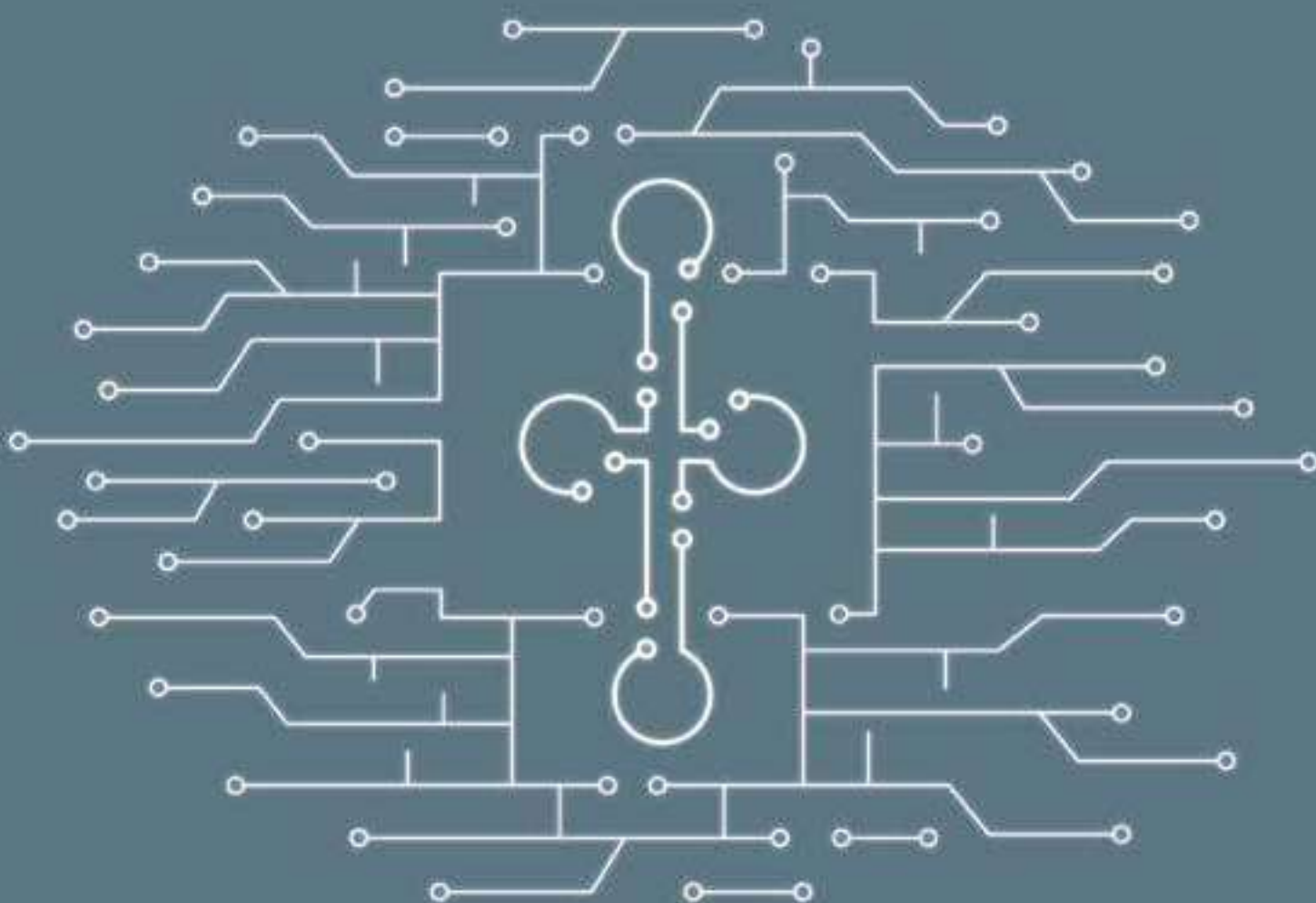
53 DIRECTORS' RESPONSIBILITY

The Board of Directors of the Company is responsible for the preparation and presentation of these financial statements. Please refer page 194 for the Statement of Directors' Responsibility.

THE ARROW LOOPS

The Arrow Loops are contained within the Fortress' most discreet spots. Where the crossbowmen sit and watch, waiting to strike, Union Assurance PLC's Supplementary Information is complete presentation of the Company's viable indicators of preparedness and cleverness in the face of adversity.

The following pages contain a distinctive look at all relevant information about us.



SUPPLEMENTARY INFORMATION

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DECADE AT A GLANCE

Insurance Revenue Accounts											
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	
Gross written premium	18,866,985	16,675,053	15,406,161	13,108,605	11,647,756	11,243,915	10,117,630	8,270,751	6,964,390	5,945,499	
Net written premium	17,834,395	15,787,507	14,680,352	12,518,728	11,121,974	10,527,474	9,620,018	7,846,894	6,600,208	5,617,435	
Investment and other income	10,021,634	6,277,385	5,033,187	4,041,160	3,442,849	3,265,566	3,822,225	2,746,306	2,167,304	3,159,957	
Net benefits and claims	(16,549,872)	(12,171,838)	(11,686,028)	(10,000,832)	(8,487,157)	(6,813,030)	(5,388,696)	(5,833,650)	(4,873,607)	(5,201,025)	
Change in contract liability due to transfer of one off surplus	-	-	-	-	-	-	3,381,934	-	-	-	
Underwriting and net acquisition costs (including reinsurance)	(3,543,999)	(3,152,291)	(2,844,018)	(2,145,130)	(1,857,396)	(2,055,051)	(1,841,151)	(1,441,617)	(1,289,437)	(1,115,834)	
Other operating and administrative expenses	(4,962,158)	(4,440,763)	(3,583,493)	(3,517,622)	(3,220,270)	(3,857,363)	(2,570,396)	(2,157,254)	(1,832,743)	(1,710,533)	
Income tax (expenses) / reversal	-	-	-	(71,304)	-	32,404	-	(60,679)	28,275	-	
Surplus from life insurance fund	2,800,000	2,300,000	1,600,000	825,000	1,000,000	1,100,000	7,023,934	1,100,000	800,000	750,000	
Investment and other income notattributable to policyholders	2,213,453	1,291,507	948,683	939,021	926,419	1,029,785	236,290	179,432	1,530,851	167,623	
Expenses not attributable to policyholders	(69,777)	(101,191)	(72,933)	(157,922)	(122,693)	(114,796)	(63,940)	(27,119)	(42,205)	(36,883)	
Share of net result of equity accounted investee	311,874	229,642	151,557	116,438	104,736	149,807	187,844	60,315	57,990	-	
Income tax (expenses) / reversal	(1,497,185)	(972,854)	(573,722)	(801,941)	(750,432)	1,079,046	-	-	-	-	
Profit for the year	3,758,365	2,747,104	2,053,585	920,596	1,158,030	3,243,842	7,384,128	1,312,628	2,346,636	880,740	

* Includes the restricted one-off surplus transfer of Rs. 3.4 billion in 2017.

Statement of financial position											
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	
Assets											
Intangible assets	1,130,585	1,311,217	1,545,529	1,247,057	1,306,922	1,392,191	212,817	94,647	59,616	66,766	
Property, plant and equipment	3,006,118	2,759,687	2,746,114	2,468,821	2,500,305	2,082,990	2,000,716	1,493,040	1,523,676	1,203,934	
Right of use assets	418,566	455,615	421,885	218,312	296,799	-	-	-	-	-	
Deferred tax assets	-	-	-	-	528,614	1,079,046	-	-	-	-	
Investment in equity accounted investee	2,046,001	1,703,160	1,513,031	1,386,991	1,245,951	1,130,379	995,722	777,346	736,216	-	
Financial investments	83,419,773	64,455,930	59,329,071	52,356,208	44,881,195	39,138,073	36,792,921	30,847,256	26,540,934	24,038,978	
Loans to life policyholders	2,368,021	2,118,116	1,932,079	1,793,470	1,555,759	1,218,949	1,001,538	867,177	741,852	660,744	
Reinsurance receivable	447,558	556,985	969,446	492,011	502,975	371,126	267,417	178,181	149,772	67,536	
Premiums receivable	1,051,444	878,441	532,975	487,959	344,785	331,539	268,511	246,800	203,722	159,117	
Receivables and other assets	942,120	777,524	801,758	1,189,309	1,452,885	1,675,601	947,239	809,784	732,017	816,718	
Deferred acquisition cost	-	-	-	-	-	-	-	-	-	-	
Cash in hand and at bank	839,475	952,332	969,748	960,270	632,962	696,835	580,126	379,232	326,012	196,429	
Assets held for sale	-	-	-	-	-	-	-	-	-	8,393,314	
Total Assets	95,669,661	75,969,007	70,761,636	62,600,408	55,249,152	49,116,729	43,067,007	35,693,463	31,013,817	35,603,536	

Insurance Revenue Accounts		2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Rs '000											
Equity											
Stated capital	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,138,433
Restricted regulatory reserve	3,381,934	3,381,934	3,381,934	3,381,934	3,381,934	3,381,934	3,381,934	3,381,934	-	-	-
Other reserves	5,973,693	(210,978)	2,485,249	3,370,946	2,671,100	1,663,960	2,144,728	817,003	1,232,893	1,232,893	1,228,722
Retained earnings	13,805,444	10,042,833	8,587,910	7,355,609	7,609,868	7,625,794	5,438,052	2,049,189	1,232,035	1,232,035	3,843,704
Total Equity	24,161,071	14,213,789	15,455,093	15,108,489	14,662,902	13,671,688	11,964,714	3,866,192	3,464,928	3,464,928	6,210,859
Liabilities											
Insurance contract liabilities - Life	65,043,384	55,430,893	48,918,147	41,881,657	35,489,751	30,599,881	26,949,613	27,889,682	23,731,238	20,435,876	
Insurance contract liabilities - Unit Linked	718,692	746,484	916,192	1,061,701	1,246,075	1,501,271	2,121,609	2,377,707	2,541,221	2,618,007	
Lease liabilities	422,540	448,719	421,300	232,259	289,176						
Employee benefit liabilities	190,578	286,691	239,915	194,753	162,957	115,516	122,588	107,963	100,199	90,437	
Reinsurance payables	365,027	636,154	1,038,267	533,023	812,930	669,314	345,146	208,742	213,855	150,784	
Other liabilities	4,645,809	3,977,798	3,523,390	3,427,721	2,416,933	2,314,884	1,368,031	1,092,871	843,424	770,190	
Bank overdraft	122,560	228,479	249,332	160,805	168,428	244,175	195,306	150,306	118,952	66,017	
Liabilities held for sale	-	-	-	-	-	-	-	-	-	-	5,261,366
Total Liabilities	71,508,590	61,755,218	55,306,543	47,491,919	40,586,250	35,445,041	31,102,293	31,827,271	27,548,889	29,392,677	
Total equity and liabilities	95,669,661	75,969,007	70,761,636	62,600,408	55,249,152	49,116,729	43,067,007	35,693,463	31,013,817	35,603,536	
Investor Information											
Return on Net Assets (%) *	19.59	18.52	13.44	6.18	8.17	25.31	93.29	35.81	48.51	15.55	
Earnings Per Share (Rs.) *	6.38	4.66	3.48	1.56	1.97	5.50	12.53	2.23	3.98	1.49	
Dividend Per Share (Rs.)	8.75	2.20	14.00	20.00	20.00	18.00	10.50	8.50	6.50	6.00	
Net Assets Per Share (Rs.)	41.00	24.12	26.23	25.64	24.88	23.20	20.30	6.56	5.88	7.25	
Market Price Per Share (Rs.)	40.2	2790	294.00	305.00	330.00	347.30	135.00	143.00	165.00	164.00	
Market Capitalisation (Rs. Mn.)	23,689.29	16,441.07	17,325.00	17,973.21	19,446.00	20,465.89	7,955.00	8,426.79	9,723.21	14,057.10	
Price Earnings Ratio (Times)	6.30	5.98	8.44	19.52	16.79	6.31	1.08	6.42	5.29	11.68	
Other Information											
Number of employees	780	798	770	795	764	614	529	474	450	445	
No of Shares ('000)	589,286	589,286	58,929	58,929	58,929	58,929	58,929	58,929	58,929	58,929	85,714

* 2012 to 2014 figures include profits of the non life insurance business.

INDEPENDENT ASSURANCE REPORT TO UNION ASSURANCE



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We have been engaged by the Directors of Union Assurance PLC ("the Company") to provide reasonable assurance and limited assurance in respect of the Sustainability Indicators as identified below for the year ended 31 December 2023. The Sustainability Indicators are included in the Union Assurance PLC Integrated Annual Report for the year ended 31 December 2023 (the "Report").

The Reasonable Assurance Sustainability Indicators covered by our reasonable assurance engagement are:

Assured Sustainability Indicators	Integrated Annual Report Page
Financial Highlights	55 to 56

The Limited Assurance Sustainability Indicators covered by our limited assurance engagement are:

Limited Assurance Sustainability Indicators	Integrated Annual Report Page
Non-Financial Highlights	57
Information provided on following	
Financial Capital	64 to 83
Manufactured Capital	84 to 87
Natural Capital	96 to 101
Human Capital	88 to 95
Social & Relationship Capital	102 to 111
Intellectual Capital	112 to 119

Our conclusions

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Reasonable Assurance Sustainability Indicators

In our opinion, in all material respects, the Reasonable Assurance Sustainability Indicators, as defined above, for the year ended 31 December 2023, in all material respects, has been prepared and presented by the management of Union Assurance

PLC in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Limited Assurance Sustainability Indicators

Based on the evidence we obtained from the assurance procedures performed, as described below we are not aware of any material misstatements that causes us to believe that the Limited Assurance Sustainability Indicators, as defined above, for the year ended 31 December 2023, have not in all material respects, been prepared and presented by the management of Union Assurance PLC in accordance with

the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

Management's Responsibility

Management is responsible for the preparation and presentation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines.

These responsibilities include establishing such internal controls as management determines are necessary to enable the preparation of the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators that are free from material misstatement whether due to fraud or error.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

Our responsibility

Our responsibility is to express a reasonable assurance conclusion on the Company's preparation and presentation of the Reasonable Assurance

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Principals: S. R. I. Perera FCMA(UK), LLB, Attorney-at-Law, H. S. Goonewardene ACA, Ms. F. R. Ziyad FCMA (UK), FTII



Sustainability Indicators and a limited assurance conclusion on the preparation and presentation of the Limited Assurance Sustainability Indicators included in the Report, as defined above.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics for professional Accountants issued by CA Sri Lanka (Code of Ethics).

SLSAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Reasonable Assurance Sustainability Indicators are free from material misstatement and limited assurance about whether the Limited Assurance Sustainability Indicators are free from material misstatement.

Our firm applies Sri Lanka Standard on Quality Control (SLSQC) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reasonable assurance over Reasonable Assurance Sustainability Indicators

The procedures selected in our reasonable assurance engagement depend on our judgment, including the assessment of the risks of material misstatement of the Reasonable Assurance Sustainability Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal controls relevant to the preparation and presentation of the Reasonable Assurance Sustainability Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal controls over the preparation and presentation of the Report.

Our engagement also included assessing the appropriateness of the Reasonable Assurance Sustainability Indicators, the suitability of the criteria, being the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines, used by the Company in preparing and presenting the Reasonable Assurance Sustainability Indicators within the Report, obtaining an understanding of the compilation of the financial and non-financial information to the sources from which it was obtained, evaluating the reasonableness of estimates made by the Company, and re-computation of the calculations of the Reasonable Assurance Sustainability Indicators.

Limited assurance on the Assured Sustainability Indicators

Our limited assurance engagement on the Limited Assurance Sustainability Indicators consisted of making enquiries, primarily of persons responsible for the preparation of the Limited Assurance Sustainability Indicators, and applying analytical and other procedures, as appropriate. These procedures included:

- ⊙ interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- ⊙ enquiries of management to gain an understanding of the Company's processes for determining material issues for the Company's key stakeholder groups;
- ⊙ enquiries of relevant staff at corporate and selected site level responsible for the preparation of the Limited Assurance Sustainability Indicators;
- ⊙ enquiries about the design and implementation of the systems and methods used to collect and report the Limited Assurance Sustainability Indicators, including the aggregation of the reported information;
- ⊙ comparing the Limited Assurance Sustainability Indicators to relevant underlying sources on a sample basis to determine whether all the relevant information has been appropriately included in the Report;
- ⊙ reading the Limited Assurance Sustainability Indicators presented in the Report to determine whether they

are in line with our overall knowledge of, and experience with, the sustainability performance of the Company;

- ⊙ reading the remainder of the Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained as part of our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Limited Assurance Sustainability Indicators.

Purpose of our report

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Reasonable and Limited Assurance Sustainability Indicators are prepared and presented in accordance with the Consolidated Set of Global Reporting Initiative Sustainability Reporting Standards Guidelines and for no other purpose or in any other context.

Restriction of use of our report

This report has been prepared for the Directors of Union Assurance PLC for the purpose of providing an assurance conclusion on the Reasonable Assurance Sustainability Indicators and the Limited Assurance Sustainability Indicators included in the Union Assurance PLC Integrated Annual Report for the year ended 31 December 2023 and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of Union Assurance PLC, or for any other purpose than that for which it was prepared.

CHARTERED ACCOUNTANTS

Colombo
29 February 2024

INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF UNION ASSURANCE PLC



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We have been engaged by the Directors of Union Assurance PLC ("the Company") to provide limited assurance in respect of the Integrated Report for the year ended 31 December 2023 (the "Integrated Report"). The criteria used as a basis of reporting is the content elements of the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework) as disclosed in this Integrated Report.

Basis for Conclusion

We conducted our work in accordance with the Sri Lankan Standard on Assurance Engagements SLSAE 3000 (Standard). In accordance with the Standard we have:

- ⊙ Ensured that the engagement team possess the appropriate knowledge, skills and professional competencies;
- ⊙ Used our professional judgement to plan and perform the engagement to provide limited assurance that we are not aware of any material misstatements in the Company's Integrated Report, whether due to fraud or error; and
- ⊙ Considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on their effectiveness.

Our Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

We have not been engaged to provide an assurance conclusion on the fitness for purpose or the operating effectiveness of the Company's strategy or how the Company creates value, including the governance, strategic management and other key business processes. The procedures we have performed in relation to the Company's strategy and how the Company creates value are outlined below.

Limited Assurance Integrated Report

Based on the evidence we obtained from the assurance procedures performed, as described below, we are not aware of any material misstatements that causes us to believe that the Integrated Report, as defined above, for the year ended 31st December 2023, has not in all material respects, been prepared in accordance with the Content Elements of the IIRC's International Integrated <IR> Framework.

Board of Directors and Management's responsibility

The Board of Directors and Management are responsible for:

- ⊙ Determining that the criteria is appropriate to meet the needs of intended users, being the Company's members and any other intended users.
- ⊙ Preparing and presenting of the Integrated Report in accordance with the criteria set out in the IIRC's <IR> Framework. This includes disclosing the criteria, including any significant inherent limitations.

- ⊙ Ensuring the Company's strategy is well presented in the Company's Integrated Report and reflects how the Company creates value as they operate in practice
- ⊙ Identifying stakeholders and stakeholder requirements;
- ⊙ Identifying material issues and reflecting those in the Company's Integrated Report; and
- ⊙ Preparation and fair presentation of the Integrated reporting information;
- ⊙ Design and implementation of internal controls that the Company determines necessary to enable the preparation and presentation of the Integrated Report that is free from material misstatement, whether due to fraud or error.
- ⊙ Informing us of any known and/or contentious issues relating to the Integrated Report.
- ⊙ Preventing and detecting of fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities;
- ⊙ Processes to ensure that the Company personnel involved with the preparation and presentation of the integrated reporting information are properly trained, systems are properly updated and that any changes in reporting is relevant to the Integrated Report information encompass all significant business units. This responsibility also includes informing us of any changes in the Company's operations.

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- The responsibility also includes informing changes in the Company's Operations since the date of our most recent assurance report on the Integrated reporting information.

Our responsibility

Our responsibility is to perform an external assurance engagement in relation to the Integrated Report and to issue an assurance report that includes our conclusions.

We conducted our assurance engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (SLSAE 3000) issued by the Institute of Chartered Accountants of Sri Lanka.

We have complied with the independence and other ethical requirements of the Code of Ethics for professional Accountants issued by CA Sri Lanka (Code of Ethics).

SLSAE 3000 requires that we plan and perform the engagement to obtain limited assurance about whether the Integrated Report is free from material misstatement.

Our firm applies Sri Lanka Standard on Quality Control (SLSQC) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Limited assurance on the Integrated Report

Our limited assurance engagement on the Integrated Report consisted of making enquiries, primarily of persons responsible for the preparation of the Integrated Report, and applying analytical and other procedures, as appropriate. These procedures included:

1. Interviews with executives, senior management and relevant staff to understand the internal controls, governance structure and reporting process relevant to the Integrated Report;

2. Reviewing of the relevant internal policies and procedures developed by the Company, including those relevant to determining what matters most to the Company's stakeholders, how the Company creates value, the Company's external environment, strategy, approaches to putting members first, governance and reporting.

3. Reviewing the description of the Company's strategy and how the Company creates value in the Integrated Report and enquiring of management as to whether the description accurately reflects their understanding;

4. Assessing of the suitability and application of the Content Elements of the <IR> Framework in the Integrated Report;

5. Assessing of the alignment between the Company's strategy, the disclosures on how the Company creates value and what matters most to the Company's stakeholders.

6. Reviewing Board minutes to ensure consistency with the content of the Integrated Report.

7. Reading the Integrated Report in its entirety to ensure it is consistent with our overall knowledge obtained during the assurance engagement.

8. Obtaining a letter of representation from management dated 29 February 2024 on the content of the Company's Integrated Report.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Integrated Report.

Misstatements, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the Company.

Limitations of our review

The Integrated Report includes prospective information. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the Integrated Report.

Purpose of our report

In accordance with the terms of our engagement, this assurance report has been prepared for the Company for the purpose of assisting the Directors in determining whether the Company's Integrated Report is prepared in accordance with the IIRC's International <IR> Framework and for no other purpose or in any other context.

Restriction of use of our report

This report has been prepared for the Company for the purpose of providing an assurance conclusion on the Integrated Report and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Company, or for any other purpose than that for which it was prepared.

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any other context. Any party other than the Company who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this independent assurance report, or for the conclusions we have reached.

Chartered Accountants

Colombo
29 February 2024

GRI CONTENT INDEX

Statement of use	Union Assurance PLC has reported in accordance with the GRI Standards for the period 1st January 2022 to 31st December 2022
GRI 1 used	GRI 1: Foundation 2021

GRI Standard / Other Source	Disclosure	Location	Omission		
			Requirement(s) Omitted	Reason	Explanation

General Disclosures

GRI 2: General Disclosures 2021	2-1 Organizational details	12	A gray cell indicates that reasons for omissions are not permitted for the disclosure of that a GRI Sector Standard Reference number is not available.		
	2-2 Entities included in the organization's sustainability reporting	6			
	2-3 Reporting period, frequency and contact point	6			
	2-4 Restatements of information	6			
	2-5 External assurance	302-305			
	2-6 Activities, value chain and other business relationships	14	2.8	Not Applicable	UA does not engage workers who are not employees
	2-7 Employees	88-95			
	2-8 Workers who are not employees	—			
	2-9 Governance structure and composition	135-136			
	2-10 Nomination and selection of the highest governance body	137			
	2-11 Chair of the highest governance body	137			
	2-12 Role of the highest governance body in overseeing the management of impacts	137			
	2-13 Delegation of responsibility for managing impacts	138-139			
	2-14 Role of the highest governance body in sustainability reporting	138-139			
	2-15 Conflicts of interest	159			
	2-16 Communication of critical concerns	136			
	2-17 Collective knowledge of the highest governance body	122-123			
	2-18 Evaluation of the performance of the highest governance body	141			
	2-19 Remuneration policies	88-95			
	2-20 Process to determine remuneration	88-95			
	2-21 Annual total compensation ratio	88-95			
	2-22 Statement on sustainable development strategy	160			
	2-23 Policy commitments	157			
	2-24 Embedding policy commitments	157			
	2-25 Processes to remediate negative impacts	157			
	2-26 Mechanisms for seeking advice and raising concerns	157			

GRI Standard / Other Source	Disclosure	Location	Omission		
			Requirement(s) Omitted	Reason	Explanation
	2-27 Compliance with laws and regulations	110			
	2-28 Membership associations	109			
	2-29 Approach to stakeholder engagement	22			
	2-30 Collective bargaining agreements	–	2.30	Not Applicable	Collective Bargaining Agreements are not available at UA
Material Topics					
GRI 3: Material Topics 2021	3-1 Process to determine material topics	25			
	3-2 List of material topics	25			
Economic performance					
GRI 3: Material Topics 2021	3-3 Management of material topics	25			
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	60			
	201-2 Financial implications and other risks and opportunities due to climate change	50-54			
	201-3 Defined benefit plan obligations and other retirement plans	288			
	201-4 Financial assistance received from government	–	201-4		The Company did not receive any financial assistance from the Government
Market presence					
GRI 3: Material Topics 2021	3-3 Management of material topics	25			
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	88-95	202-1	Not Applicable	This is not tracked at UA
	202-2 Proportion of senior management hired from the local community	88-95			
Procurement practices					
GRI 3: Material Topics 2021	3-3 Management of material topics	25			
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	108			
Anti-corruption					
GRI 3: Material Topics 2021	3-3 Management of material topics	25			
GRI 205: Anti- corruption 2016	205-1 Operations assessed for risks related to corruption	110			
	205-2 Communication and training about anti-corruption policies and procedures	110			
	205-3 Confirmed incidents of corruption and actions taken	–	205-3	Not Applicable	No such incidents occurred

GRI CONTENT INDEX

GRI Standard / Other Source	Disclosure	Location	Omission		
			Requirement(s) Omitted	Reason	Explanation
Anti-competitive behaviour					
GRI 3: Material Topics 2021	3-3 Management of material topics	25	Not Applicable	Not Applicable	Not Applicable
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	109	Not Applicable	Not Applicable	Not Applicable
Tax					
GRI 3: Material Topics 2021	3-3 Management of material topics	25			
GRI 207: Tax 2019	207-1 Approach to tax	246-248			
	207-2 Tax governance, control, and risk management	246-248			
	207-3 Stakeholder engagement and management of concerns related to tax	246-248			
	207-4 Country-by-country reporting	–	207-4	Not Applicable	UA does not have overseas presence
Materials					
GRI 3: Material Topics 2021	3-3 Management of material topics	25			
GRI 301: Materials 2016	301-1 Materials used by weight or volume	96			
	301-2 Recycled input materials used	–	301-2	Not Applicable	UA’s business as a life insurance service provider does not involve the use of recycled material
	301-3 Reclaimed products and their packaging materials	–	301-3	Not Applicable	UA’s business as a life insurance service provider does not involve the use of recycled material
Energy					
GRI 3: Material Topics 2021	3-3 Management of material topics	25			
GRI 302: Energy 2016	302-1 Energy consumption within the organization	98			
	302-2 Energy consumption outside of the organization	98	302-2	Not Applicable	UA does not track this
	302-3 Energy intensity	98	302-3	Not Applicable	UA does not track this
	302-4 Reduction of energy consumption	98			
	302-5 Reductions in energy requirements of products and services	98	302-5	Not Applicable	UA’s products and services do not consumer energy

GRI Standard / Other Source	Disclosure	Location	Omission		
			Requirement(s) Omitted	Reason	Explanation
Water and effluents					
GRI 3: Material Topics 2021	3-3 Management of material topics	25			
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	98			
	303-2 Management of water discharge-related impacts	98			
	303-3 Water withdrawal	98	303-3	Not Applicable	UA does not engage in water withdrawal
	303-4 Water discharge	98	303-4	Not Applicable	UA dose not engage in water discharge
	303-5 Water consumption	98			
Biodiversity					
GRI 3: Material Topics 2021	3-3 Management of material topics	–	3_3	Not Applicable	None of the properties owned and operated by UA are situated adjacent or in a manner that threatens the conservation of biodiversity.
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	–			
	304-2 Significant impacts of activities, products and services on biodiversity	–			
	304-3 Habitats protected or restored	–			
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	–			
Emissions					
GRI 3: Material Topics 2021	3-3 Management of material topics	25			
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	99			
	305-2 Energy indirect (Scope 2) GHG emissions	99			
	305-3 Other indirect (Scope 3) GHG emissions	99			
	305-4 GHG emissions intensity	99			
	305-5 Reduction of GHG emissions	99			
	305-6 Emissions of ozone-depleting substances (ODS)	–	305-6	Not Applicable	UA's operations do not generate ODS
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	–	305-6	Not Applicable	UA does not currently track NOx and SOx emissions

GRI CONTENT INDEX

GRI Standard / Other Source	Disclosure	Location	Omission		
			Requirement(s) Omitted	Reason	Explanation
Waste					
GRI 3: Material Topics 2021	3-3 Management of material topics	25			
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	99			
	306-2 Management of significant waste-related impacts	99			
	306-3 Waste generated	99			
	306-4 Waste diverted from disposal	99			
	306-5 Waste directed to disposal	99			
Supplier environmental assessment					
GRI 3: Material Topics 2021	3-3 Management of material topics	25			
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	108			
	308-2 Negative environmental impacts in the supply chain and actions taken	—	308-2	Not Applicable	No such incidents occurred
Employment					
GRI 3: Material Topics 2021	3-3 Management of material topics	25			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	88-95			
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	88-95			
	401-3 Parental leave	89			
Labor/management relations					
GRI 3: Material Topics 2021	3-3 Management of material topics	25			
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	88-95			
Occupational health and safety					
GRI 3: Material Topics 2021	3-3 Management of material topics	25			

GRI Standard / Other Source	Disclosure	Location	Omission		
			Requirement(s) Omitted	Reason	Explanation
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	95			
	403-2 Hazard identification, risk assessment, and incident investigation	95			
	403-3 Occupational health services	95			
	403-4 Worker participation, consultation, and communication on occupational health and safety	95			
	403-5 Worker training on occupational health and safety	95			
	403-6 Promotion of worker health	95			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	95			
	403-8 Workers covered by an occupational health and safety management system	95			
Training and education					
GRI 3: Material Topics 2021	3-3 Management of material topics	25			
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	90			
	404-2 Programs for upgrading employee skills and transition assistance programs	90			
	404-3 Percentage of employees receiving regular performance and career development reviews	90			
Diversity and equal opportunity					
GRI 3: Material Topics 2021	3-3 Management of material topics	25			
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	88-95			
	405-2 Ratio of basic salary and remuneration of women to men	89			
Non-discrimination					
GRI 3: Material Topics 2021	3-3 Management of material topics	25			
GRI 406: Non- discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	92			

GRI CONTENT INDEX

GRI Standard / Other Source	Disclosure	Location	Omission		
			Requirement(s) Omitted	Reason	Explanation
Freedom of association and collective bargaining					
GRI 3: Material Topics 2021	3-3 Management of material topics	–	407-1	Not Applicable	UA does not have any collective bargaining agreements
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	–	407-1	Not Applicable	UA does not have any collective bargaining agreements
Child labor					
GRI 3: Material Topics 2021	3-3 Management of material topics	UA does not engage in Child labour			
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor				
Forced or compulsory labor					
GRI 3: Material Topics 2021	3-3 Management of material topics	UA does not engage in forced or compulsory labour			
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor				
Security practices					
GRI 3: Material Topics 2021	3-3 Management of material topics	25			
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	88-95			
Rights of indigenous peoples					
GRI 3: Material Topics 2021	3-3 Management of material topics	25			
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	–	411-1	Not Applicable	UA interacts with all ethnic groups in the community in a non-discriminatory manner.
Local communities					
GRI 3: Material Topics 2021	3-3 Management of material topics	25			
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	109-111			
	413-2 Operations with significant actual and potential negative impacts on local communities	–	413-2	Not Applicable	The Company does not have any operations with significantly negative impact on the local community.

GRI Standard / Other Source	Disclosure	Location	Omission		
			Requirement(s) Omitted	Reason	Explanation
Public policy					
GRI 3: Material Topics 2021	3-3 Management of material topics	–			
GRI 415: Public Policy 2016	415-1 Political contributions	–	415-1	Not Applicable	UA does not make any political contributions
Customer health and safety					
GRI 3: Material Topics 2021	3-3 Management of material topics	25			
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	102-111			
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	–	416-2	Not Applicable	UA does not engage in any products or services that endanger the health and safety of its customers
Marketing and labeling					
Marketing and labeling	3-3 Management of material topics	25			
GRI 3: Material Topics 2021	417-1 Requirements for product and service information and labeling	104			
GRI 417: Marketing and Labeling 2016	417-2 Incidents of non-compliance concerning product and service information and labeling	–	417-2	Not Applicable	No such incidents occurred
	417-3 Incidents of non-compliance concerning marketing communications	–	417-3	Not Applicable	No such incidents occurred
Customer privacy					
GRI 3: Material Topics 2021	3-3 Management of material topics	25			
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	104	418-1	Not Applicable	No such incidents occurred

SASB INDEX

TOPIC	METRIC	UNIT OF MEASURE	SASB CODE	DISCLOSURE/PAGE REFERENCE
Transparent Information & Fair Advice for Customers	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of insurance product-related information to new and returning customers	Presentation currency	FN-IN-270a.1	UA did not encounter any product related law suits directly related to marketing or marketing communications. Social and relationship capital Page 104
	Complaints-to-claims ratio	Rate	FN-IN-270a.2	Social and relationship capital Page 105
	Customer retention rate	Rate	FN-IN-270a.3	UA does not track this
	Description of approach to informing customers about products	N/A	FN-IN-270a.4	Social and Relationship Capital at Page 102-111
Incorporation of Environmental, Social and Governance Factors in Investment Management	Description of approach to incorporation of environmental, social and governance (ESG) factors in investment management processes and strategies	N/A	FN-IN-410a.2	UA does not track this
Policies Designed to Incentivise Responsible Behaviour	Net premiums written related to energy efficiency and low carbon technology	N/A	FN-IN-410b.1	UA does not track this
	Discussion of products or product features that incentivise health, safety or environmentally responsible actions or behaviours	N/A	FN-IN-410b.2	Product Offering at Page 09 Social and relationship capital page 105
Financed Emissions	Absolute gross financed emissions, disaggregated by (1) Scope 1, (2) Scope 2 and (3) Scope 3	Metric tonnes (t) CO2-e	FN-IN-410c.1	Natural Capital Page 101
	Gross exposure for each industry by asset class	Not applicable	FN-IN-410c.2	UA does not track this data
	Percentage of gross exposure included in the financed emissions calculation	Percentage %	FN-IN-410c.3	UA does not track this data
	Description of the methodology used to calculate financed emissions	Not Applicable	FN-IN-410c.4	UA does not track this data

TOPIC	METRIC	UNIT OF MEASURE	SASB CODE	DISCLOSURE/PAGE REFERENCE
Physical Risk Exposure	Probable Maximum Loss (PML) of insured products from weather-related natural catastrophes 2	Presentation currency	FN-IN-450a.1	UA does not track this data
	Total amount of monetary losses attributable to insurance pay-outs from (1) modelled natural catastrophes and (2) non-modelled natural catastrophes, by type of event and geographical segment (net and gross of reinsurance) 3	Presentation currency	FN-IN-450a.2	Contribution to National Economy and Economic Value Added at Page 59 -NOTE - this is the total claims paid and not by type
	Description of approach to incorporation of environmental risks into (1) the underwriting process for individual contracts and (2) the management of entity-level risks and capital adequacy	N/A	FN-IN-450a.3	Enterprise Risk Management - Climate related Risk. Page 183
Systemic Risk Management	Exposure to derivative instruments by category: (1) total exposure to noncentrally cleared derivatives, (2) total fair value of acceptable collateral posted with a central clearinghouse, and (3) total exposure to centrally cleared derivatives	Presentation currency	FN-IN-550a.1	UA does not track this data
	Total fair value of securities lending collateral assets	Presentation currency	FN-IN-550a.2	UA does not track this data
	Description of approach to managing capital- and liquidity-related risks associated with systemic non-insurance activities	N/A	FN-IN-550a.3	Enterprise Risk Management - Climate related Risk. Page 174
	Number of policies in force, by segment: (1) property and casualty, (2) life, (3) assumed reinsurance	Number	FN-IN-000.A	Social and relationship capital Page 102
Disclaimer :	Sustainability Accounting Standards Board ("SASB") is an independent organization that sets industry-specific disclosure standards across financially material environmental, social and governance (ESG) topics. In particular, SASB standards identify the environmental, social and governance (ESG) issues that SASB considers relevant to the insurance industry (the "SASB Standards"). As an international framework, SASB's approach may materially differ from the approach adopted by Union Assurance which is mainly derived from the Sri Lankan regulatory, and economic framework. As of the date of the SASB Content Index 2021, Union Assurance has not adopted SASB Standards as a sustainability reporting standard.			

CLIMATE RELATED DISCLOSURES

As part of our efforts to incorporate best practices in climate reporting we have adopted the Task Force on Climate-related Financial Disclosures (TCFD) reporting format from this year.

TCFD Requirement	Progress Made
Governance	UA strictly monitors, controls, and manages the elements that contribute to preservation of the climate. These include reducing energy consumption, responsible water usage, managing emissions and waste in a manner that prevents further erosion to the climate.
Strategy	UA has adopted many control mechanisms to measure and manage climate implications and reduce its carbon footprint. For more information, please refer Page 96 to 101.
Risk Management	Climate risks and opportunities are identified and assessed on an ongoing basis through UA's Risk Management Process and is a material matter that is reflected on Page 183 to 184.
Metrics and Target	In the short term, we aim at: ⊙ 18% reduction in fuel consumption ⊙ 6% reduction in paper usage ⊙ install power saving mechanisms for air conditioners at head office to reduce power usage ⊙ reduced electricity consumption In the medium and the long term, we aim at: ⊙ continued reduction in energy consumption ⊙ paperless office operations ⊙ extend air conditioner power saving mechanism to branches ⊙ install solar panels, based on a feasibility to be carried out

GLOSSARY OF INSURANCE TERMS

Accumulation - The situation where a significant number of risks insured or reinsured with the same Company may be affected simultaneously by a loss event.

Acquisition expenses - All expenses which vary with, and are primarily related to, the acquisition of new insurance contracts and the renewal of existing insurance contracts e.g. commissions.

Actuary - Qualified expert who analyses problems from the area of insurance, investments and pensions using methods of probability theory and financial mathematics and develops solutions with due regard to legal and economic parameters.

Administrative expenses - Costs of an administrative nature including those arising from premium collection portfolio administration, handling of bonuses and rebates and inward and outward reinsurance, including staff costs and depreciation provisions in respect of property, plant and equipment.

Admissible assets - Assets that may be included in determining an insurer's statutory solvency. Such assets are specified under the rules made by the Insurance Board of Sri Lanka under the Regulation of Insurance Industry Act No. 43 of 2000.

Annuity - A series of regular payments. Annuities include annuities certain, where payments are made at definite times, and life annuities, where payments depend on the survival of an annuitant.

A life annuity is a contract that provides a regular payment typically monthly during the lifetime of the policyholder or a fixed period if less. If the payments start at the outset of the contract, it is an immediate annuity. If they start at some point in the future, it is a deferred annuity.

Bancassurance - An arrangement whereby insurer sells insurance and investment products to bank customers.

Beneficiary - A person named by the policyholder as the recipient of the sum insured and other benefits due in the event of the policyholder's death.

Benefits and claims experience variation - The difference between the expected and the actual benefit payout

Cedent - Client of a reinsurance Company (also see primary insurers).

Claims - The amount payable under a contract of insurance arising from the occurrence of an insured event.

Claims incurred - A claim is incurred when the event giving rise to the claim occurs. Claims incurred include paid claims and movements in outstanding claims.

Claims outstanding - The amount provided to cover the estimated ultimate cost of settling claims arising out of events which have been notified by the reporting date being the sums due to beneficiaries together with claims handling expenses, less amounts already paid in respect of those claims.

Commissions - A payment made to a broker or a sales agent in return for selling and servicing an insurer's products.

Capital Adequacy Ratio (CAR) - Measures adequacy of the Total Available Capital (TAC) as against the Risk Capital Required (RCR) under the Risk Based Capital Regime.

Discretionary participating features (DPF) - A contractual right given to a policyholder to receive, as a supplement to guaranteed benefits, additional benefits;

- ⊙ That are likely to be a significant portion of the total contractual benefits;
- ⊙ Whose amount or timing is contractually at the discretion of the issuer;
- ⊙ That are contractually based on;
- ⊙ The performance of a specified pool of contracts or a specified type of contract;
- ⊙ The realised and or unrealised investment returns on a specified pool of assets held by the issuer; and
- ⊙ The profit or loss of the Company, fund or other entity that issues the contract.

Endowment - Life insurance payable to the policyholder if living on the maturity date stated in the policy or to a beneficiary if the insured dies before that date.

Financial risk - 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 prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Global Reporting initiative (GRI) - A leading organisation in the sustainability field. GRI promotes the use of sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development. It allied with the UN Global Compact.

Healthcare - An insurance contract which provides medical coverage to a policyholder.

Insurance contract - A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Insurance risk - Uncertainty over the likelihood of an insured event occurring, the quantum of the claim, or the time when claims payments will fall due.

Insurance provision Life - The fund or funds maintained by an insurer in respect of its life insurance business in accordance with the Regulation of Insurance Industry Act No. 43 of 2000.

Investment contract - A contract, which contains significant financial risk and may contain insignificant insurance risk, but does not meet the definition of insurance.

Investment management services - The management of an investment contract on behalf of a policyholder, for which an investment management service fee is charged.

Lapsed Policy - A policy terminated at the end of the grace period because of non payment of premiums.

Liability adequacy test (LAT) - An annual assessment of the sufficiency of insurance and / or investment contract with DPF liabilities, to cover future insurance obligations.

Life surplus - The excess of the assets over the liabilities as determined by the actuary and after the distribution of dividends to policyholders

Life insurance business - Insurance (including reinsurance) business falling within the classes of insurance specified as long term insurance business under the Regulation of Insurance Industry Act No. 43 of 2000.

GLOSSARY OF INSURANCE TERMS

Longevity - The insurer's risk that an insured person lives longer than expected or that life expectancy within an insured portfolio rises as a whole.

Loss ratio - Percentage ratio of claims expenses to earned premiums.

Mortality - The ratio of deaths to the entire population or to a particular age group. It is globally expressed in numbers or rates and set out in mortality tables.

Net asset value - The value of all tangible and intangible assets of a Company minus its liabilities. It reflects a Company's fundamental value.

Net expenses for claims and benefits - These include the expenses for claims (claims payments and the change in the provision for outstanding claims), expenses for premium refunds and the change in the remaining technical provisions (provision for future policy benefits and other), in each case after deduction of the ceded share.

Non-participating business - Life insurance business where policyholders are not entitled to share in the surplus of the relevant life fund.

Non-proportional reinsurance - Under this form of reinsurance, the reinsurer assumes payment of the primary insurer's loss above a defined amount. The calculation of the reinsurance premium is based on claims experience with the type of business concerned.

Outstanding claims provision - Comprises claims incurred by the policyholder and reported to the insurance Company, and IBNR claims.

Participating business - Life insurance business where the policyholders are contractually entitled to share in the surplus of the relevant life fund.

Policyholders' bonuses - In life and health insurance, policyholders are entitled contractually and by law to an appropriate share of the surplus earned by their insurers. The amount of this bonus is fixed each year. As a rule, in life insurance these bonuses increase the benefit payable on maturity of the policy or on occurrence of the insured event; in health insurance, they are paid by way of premium refunds.

Policy loans - A loan from the insurer to a policyholder on the security of the surrender value of a life insurance policy. The loan is normally limited to a percentage of the current surrender value of the policy and interest is charged on such loans.

Premiums - The instalments paid by the customers.

Primary insurers - Insurance companies that assume risks in return for an insurance premium and have a direct contractual relationship with the holder of the insurance policy (private individual, firm or organisation).

Proportional reinsurance - Form of reinsurance in which the sum insured written by the primary insurer is divided proportionally between the primary insurer and the reinsurer, and the reinsurer is allocated a corresponding share of the premiums and claims.

Provision for outstanding claims - Provision for claims that have already been incurred at the reporting date but have either not yet been reported or not yet been fully settled.

Reinsurance - 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 commission - Commission received or receivable in respect of premiums paid or payable to a reinsurer.

Reinsurance insurance risk - that is ceded to another insurer to compensate for losses, but the ultimate obligation to the policyholder remains with the entity who issued the original insurance contract.

Reinsurance inwards - The acceptance of risks under a contract of reinsurance.

Reinsurance outwards - The placing of risks under a contract of reinsurance.

Reinsurance profit commission - Commission received or receivable by the cedent (reinsured) from the reinsurer based on the net profit (as defined in the treaty) made by the reinsurer on the reinsurance treaty.

Retention - The part of the risk assumed which the insurer / reinsurer does not reinsure / retrocede, i.e. retained net for own account.

Retrocession - The reinsurance outwards of risks previously accepted by an insurer as reinsurance inwards. The recipient is known as the retrocessionaire.

Risk Based Capital - A "Risk Based" approach to assess the solvency and is based on the real "cash flows" of the business.

Scenario analysis - Type of analysis used to investigate how certain key figures (market values or carrying amounts) change in the event that predefined market developments occur. Scenario analyses usually takes the form of average if-then analyses.

Stress test - A special form of scenario analysis. The aim is to make a quantitative statement on the loss potential of portfolios in the event of extreme market fluctuations, tail dependencies. The result of risk drivers interacting in exceptional situations.

Surrender value - The amount payable by an insurer to a policyholder on termination of an insurance policy before the expiry of its term (more common in life insurance).

Technical provisions - Uncertain liabilities directly connected with non-life insurance business. These provisions are made to ensure that obligations under insurance contracts can always be met.

Underwriter - Member of an insurance Company that acts on behalf of his or her employer to negotiate, accept or reject the terms of an insurance contract. They are responsible for ensuring the quality and reliability of risk-transfer solutions. Their job is to develop products that best reflect the characteristics of the risks and clients' needs.

Unit-linked life Insurance - A type of life insurance with a savings component, where the benefits payable depend on the performance of the assets invested in a fund. The investment risk is borne by the policyholder.

Variable annuities - A special form of unit-linked life insurance where the investment risk is borne primarily by the policyholder but the insurer guarantees a minimum payment on occurrence of the insured event.

Written premium - Life insurance business - Premiums to which the insurer is contractually entitled and received in the accounting period.

QUARTERLY ANALYSIS

Rs'000	2023					2022				
	1st quarter	2nd quarter	3rd quarter	4th quarter	Total	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
	January-March	April-June	July-September	October-December		January-March	April-June	July-September	October-December	
Gross written premium	4,171,527	4,301,903	4,727,316	5,666,239	18,866,985	3,977,624	3,546,506	4,096,052	5,054,871	16,675,053
Premium ceded to reinsurers	(230,020)	(259,635)	(271,577)	(271,358)	(1,032,590)	(201,145)	(225,885)	(221,634)	(238,882)	(887,546)
Net written premium	3,941,507	4,042,268	4,455,739	5,394,881	17,834,395	3,776,479	3,320,621	3,874,418	4,815,989	15,787,507
Other revenue										
Net investment income	2,443,513	2,690,588	2,823,006	2,859,618	10,816,725	1,439,346	1,691,595	2,049,512	2,298,560	7,479,013
Net realised gains / (losses)	106,860	61,769	202,928	396,048	767,605	(20,306)	(202,311)	431,017	57,177	265,577
Net fair value gains / (losses)	1,082	205,252	646,235	(342,584)	509,985	(473,500)	(74,533)	528,259	(284,088)	(303,862)
Other income	6,023	4,975	6,559	11,475	29,032	5,866	6,385	66,193	9,529	87,973
Total other revenue	2,557,478	2,962,584	3,678,728	2,924,557	12,123,347	951,406	1,421,136	3,074,981	2,081,178	7,528,701
Total net revenue	6,498,985	7,004,852	8,134,467	8,319,438	29,957,742	4,727,885	4,741,757	6,949,399	6,897,167	23,316,208
Benefits, claims and expenses										
Net insurance benefits and claims paid	(1,574,288)	(1,222,848)	(2,086,971)	(1,743,949)	(6,628,056)	(1,391,481)	(332,712)	(1,451,159)	(2,023,917)	(5,199,269)
Net change in insurance claims outstanding	59,490	(136,272)	(9,685)	(3,607)	(90,074)	221,826	(721,111)	(5,346)	5,241	(499,390)
Change in contract liabilities - Life Fund	(2,807,224)	(3,133,395)	(3,315,648)	(575,475)	(9,831,742)	(1,630,170)	(1,689,891)	(3,349,912)	196,794	(6,473,179)
Underwriting and net acquisition costs	(759,031)	(791,041)	(951,665)	(1,042,262)	(3,543,999)	(782,956)	(673,154)	(759,045)	(937,136)	(3,152,291)
Other operating, administrative and selling expenses	(749,687)	(1,030,036)	(1,117,055)	(1,479,807)	(4,376,585)	(770,901)	(910,402)	(927,827)	(1,357,544)	(3,966,674)
Depreciation and amortisation	(134,123)	(133,583)	(138,106)	(137,798)	(543,610)	(133,864)	(133,735)	(137,256)	(130,233)	(535,088)
Total benefits, claims and expenses	(5,964,863)	(6,447,175)	(7,619,130)	(4,982,898)	(25,014,066)	(4,487,546)	(4,461,005)	(6,630,545)	(4,246,795)	(19,825,891)
Profit from operations	534,122	557,677	515,337	3,336,540	4,943,676	240,339	280,752	318,854	2,650,372	3,490,317
Share of results of equity accounted investee, net of tax	71,183	75,025	89,414	76,252	311,874	38,564	54,700	60,056	76,322	229,642
Profit before tax	605,305	632,702	604,751	3,412,792	5,255,550	278,903	335,452	378,910	2,726,694	3,719,959
Income tax expense	(160,729)	(164,015)	(169,868)	(1,002,573)	(1,497,185)	(61,588)	(73,218)	(81,780)	(756,268)	(972,854)
Profit for the year	444,576	468,687	434,883	2,410,219	3,758,365	217,315	262,234	297,130	1,970,426	2,747,105

LIFE INSURANCE FUND

INSURANCE REVENUE ACCOUNT

For the year ended 31 December	2023 Rs. '000	2022 Rs. '000
Gross written premium	18,866,985	16,675,053
Premium ceded to reinsurers	(1,032,590)	(887,546)
Net written premium	17,834,395	15,787,507
Net insurance benefits and claims paid	(6,628,056)	(5,199,269)
Net change in insurance claims outstanding	(90,074)	(499,390)
Underwriting and net acquisition costs (net of reinsurance)	(3,543,999)	(3,152,291)
Other operating, selling and administrative expenses	(4,418,549)	(3,969,013)
Depreciation and amortisation	(543,610)	(471,750)
Underwriting surplus	2,610,108	2,495,794
Investment and other income	10,021,634	6,277,385
Change in contract liabilities - Life fund	(9,831,742)	(6,473,179)
Surplus from life insurance fund	2,800,000	2,300,000
Investment and other income not attributable to policyholders	2,213,453	1,291,507
Expenses not attributable to policyholders	(69,777)	(101,191)
Share of results of equity accounted investee, net of tax	311,874	229,642
Income tax expenses	(1,497,185)	(972,854)
Profit from shareholders' fund	958,365	447,104
Profit for the year attributable to equity holders of the company	3,758,365	2,747,104

LIFE INSURANCE FUND

STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	Page	2023 Rs. '000	2022 Rs. '000
Assets				
Intangible assets			590,092	600,575
Property, plant and equipment	27	255	3,006,118	2,759,687
Right of use assets	28	260	418,566	455,615
Financial investments	1	324	68,817,082	55,059,143
Loans to life policyholders	31	273	2,368,021	2,118,116
Reinsurance receivable	32	274	447,558	556,985
Premiums receivable	33	275	1,051,444	878,441
Receivables and other assets	2	327	548,716	389,856
Cash in hand and at bank	3	327	830,554	943,134
Total assets			78,078,151	63,761,552
Reserves and liabilities				
Reserves				
Available for sale reserve			2,736,857	(1,289,374)
Revaluation reserve	4	327	2,087,235	1,792,119
Other reserves	5	327	(17,655)	(7,562)
Total reserves			4,806,437	495,183
Liabilities				
Insurance contract liabilities	42	282	65,043,384	55,430,893
Insurance contract liabilities - Unit Linked	43	287	718,692	746,484
Lease liabilities	44	288	422,540	448,719
Employee benefit liabilities	45	288	190,578	286,691
Reinsurance payables	46	290	365,027	636,154
Other liabilities	7	327	6,408,933	5,488,949
Bank overdraft	35	277	122,560	228,479
Total liabilities			73,271,714	63,266,369
Total reserves and liabilities			78,078,151	63,761,552

LIFE INSURANCE FUND

STATEMENT OF CASH FLOWS

For the year ended 31 December

	2023 Rs. '000	2022 Rs. '000
Cash flows from operations		
Insurance premiums received	18,693,981	16,329,586
Reinsurance premiums paid	(230,716)	(140,350)
Insurance benefits and claims paid	(7,604,730)	(6,309,729)
Reinsurance claims received	976,674	1,110,460
Payments to intermediaries to acquire insurance contracts	(3,491,999)	(3,096,038)
Cash paid to and on behalf of employees	(2,055,875)	(2,020,046)
Interest received	7,501,224	4,986,294
Dividends received	119,871	132,001
Other operating cash flows	(3,804,332)	(3,136,961)
Cash paid to life shareholder fund	(2,300,000)	(1,600,000)
Cash generated from operating activities - (Note A)	7,804,098	6,255,217
Interest paid	(26,224)	-
Income tax Payment	(6,762)	(66,357)
Employee benefits paid	(21,237)	(35,109)
Net cash from operating activities	7,749,875	6,153,751
Cash flows used in investing activities		
Purchase of investments	(27,899,323)	(24,453,017)
Maturity proceeds of investments	8,581,326	12,430,894
Proceeds from sale of investments	11,896,878	6,238,786
Purchase of property, plant and equipment	(66,930)	(126,903)
Purchase of intangible assets	(111,699)	(73,570)
Proceeds on sale of property, plant and equipment	212	270
Net cash used in investing activities	(7,599,536)	(5,983,540)
Net cash inflow before financing activities	150,339	170,211
Cash flows used in financing activities		
Settlement of lease liabilities	(157,000)	(161,051)
Net cash used in financing activities	(157,000)	(161,051)
Net increase in cash and cash equivalents	(6,661)	9,160
Cash and cash equivalents at the beginning of the year	714,655	705,495
Cash and cash equivalent at the end of the year	707,994	714,655

For the year ended 31 December

2023
Rs. '0002022
Rs. '000

A. Reconciliation of surplus from life insurance fund before tax with cash from operating activities		
Surplus from life insurance fund before tax	2,800,000	2,300,000
Non - cash items included in profit before tax		
Depreciation and amortisation	543,610	471,750
Provision for employee benefits	49,395	74,904
Provision for doubtful debtors	3,825	(4,567)
Net realised gains	(711,148)	(237,518)
Net fair value (gains) / losses	(487,148)	303,862
Gains on sale of property, plant and equipment	(189)	(249)
Amortisation of financial investment	(421,730)	(242,033)
Amortisation of lease liabilities	38,969	33,825
Scrip dividend income	(25,803)	(9,722)
Interest expense on obligation to repurchase securities	6,912	-
Profit before working capital changes	1,796,693	2,690,252
Net change in operational assets		
Net change in reinsurance assets	109,427	412,461
Net change in premiums receivable	(173,003)	(345,466)
Net change in receivables and other assets	(3,484,397)	(2,563,470)
Net change in operational liabilities		
Net change in life insurance contract liabilities	9,584,699	6,343,038
Net change in reinsurance liabilities	(271,127)	(402,113)
Net change in other liabilities	241,806	120,515
Cash generated from operating activities	7,804,098	6,255,217
B. Cash and cash equivalents at the end of the year		
Cash in hand and at bank	830,554	943,134
Bank overdraft	(122,560)	(228,479)
Cash and cash equivalents	707,994	714,655
Net cash in hand and at bank for the previous year	714,655	705,495
Increase in cash and cash equivalents	(6,661)	9,160

LIFE INSURANCE FUND

NOTES TO THE STATEMENT OF FINANCIAL POSITION

1 FINANCIAL INVESTMENTS

Refer Note 25 for the accounting policy

As at 31 December Rs. '000	Note	2023		2022	
		Carrying Value	Fair Value	Carrying Value	Fair Value
Held To Maturity Financial Assets (HTM)	1.1	37,012,208	38,490,694	31,376,503	20,009,445
Loans And Receivables (L&R)	1.2	9,881,797	9,324,126	12,358,785	9,726,920
Available For Sale Financial Assets (AFS)	1.3	14,805,388	14,805,388	7,625,316	7,625,316
Financial Assets At Fair Value Through Profit Or Loss (FVTPL)	1.4	7,117,689	7,117,689	3,698,539	3,698,539
Total Financial Investments		68,817,082	69,737,897	55,059,143	41,060,220

1.1 Held to Maturity Financial Assets (HTM)

As at 31 December	2023	2022
Rs. '000	Rs. '000	Rs. '000
Amortised cost		
Treasury bills	-	562,949
Treasury bonds	37,012,208	30,813,554
Total HTM financial investments	37,012,208	31,376,503

1.2 Loans and Receivables (L&R)

As at 31 December	2023	2022
Note	Rs. '000	Rs. '000
Amortised cost		
Asset Backed Securities	306,697	306,881
Bank deposits	-	541,402
Debentures 1.2 (a)	9,400,158	9,989,907
Reverse repurchase agreements	174,942	1,520,595
Total L&R financial investments	9,881,797	12,358,785

1.2 (a) Debentures

As at 31 December Issuer	2023					
	Credit Rating	Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
Sampath Bank PLC	BBB+	2/28/24	1,500,000	167,629	166,524	13.90
Seylan Bank PLC	BBB	4/18/24	2,000,000	220,685	219,463	15.00
People's Leasing & Finance PLC	A-	8/5/24	5,258,875	502,279	381,682	8.00
Siyapatha Finance PLC	BBB-	8/8/24	2,760,000	290,008	284,513	13.33
Hayleys PLC	AAA	8/26/24	500,000	52,239	51,871	13.00
LOLC Holdings PLC	A	9/27/24	2,268,702	243,468	234,710	15.00
Nations Trust Bank PLC	BBB	12/23/24	1,000,000	100,253	97,380	12.80
HNB Finance Limited	BBB-	12/30/24	6,000,000	679,438	662,739	13.20
First Capital Treasuries PLC	BBB	1/30/25	1,500,000	155,428	152,942	12.75
Seylan Bank PLC	BBB	3/29/25	2,000,000	206,570	200,362	13.20
DFCC Bank PLC	BBB	3/29/25	3,000,000	329,188	319,513	13.00
DFCC Bank PLC	A-	6/12/25	3,270,000	346,401	328,054	11.00
National Development Bank PLC	BBB	9/25/25	5,000,000	512,169	465,119	9.50
DFCC Bank PLC	BBB	10/23/25	3,000,000	304,909	273,399	9.00
Peoples Bank	A	3/29/26	5,000,000	599,791	542,008	9.25

As at 31 December Issuer	2023					
	Credit Rating	Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
Singer Finance (Lanka) PLC	BB+	6/25/26	402,700	45,059	39,021	8.96
Siyapatha Finance PLC	BBB-	8/31/26	5,000,000	515,219	448,220	9.46
Hatton National Bank PLC	BBB+	9/23/26	864,100	89,288	83,528	12.80
Nations Trust Bank PLC	BBB	12/23/26	3,000,000	300,840	278,584	12.90
Peoples Bank	A	11/8/27	4,370,000	444,476	406,166	12.25
Sampath Bank PLC	BBB+	2/9/28	5,770,000	719,143	652,370	28.00
Seylan Bank PLC	BBB	3/29/28	3,000,000	310,114	284,420	13.50
Sri Lanka Telecom PLC	A	4/19/28	2,000,000	205,048	188,782	12.75
Commercial Bank Of Ceylon PLC	BBB+	7/23/28	5,000,000	527,575	469,792	12.50
Commercial Bank Of Ceylon PLC	BBB+	12/20/28	5,000,000	502,312	479,159	15.00
Commercial Bank Of Ceylon PLC	BBB+	12/12/29	5,000,000	509,195	717,348	27.00
Peoples Bank	A	7/27/30	5,000,000	521,434	414,507	10.25
				9,400,158	8,842,176	

As at 31 December Issuer	2022					
	Credit Rating	Maturity date	No. of debentures	Carrying value Rs. '000	Market value Rs. '000	Interest %
Sampath Bank PLC	A	3/20/23	2,500,000	258,628	251,130	12.50
DFCC Bank PLC	A-	3/29/23	2,000,000	218,855	211,704	12.60
Nations Trust Bank PLC	BBB+	4/20/23	2,875,000	313,034	300,567	13.00
Siyapatha Finance PLC	A	7/7/23	3,969,600	418,046	398,891	11.25
Hatton National Bank PLC	AA-	8/30/23	1,204,706	119,665	109,973	8.00
Bank of Ceylon	A	10/25/23	452,300	46,566	41,683	13.75
Hatton National Bank PLC	A	11/1/23	724,000	73,886	65,986	13.00
National Development Bank PLC	BBB+	12/19/23	4,500,000	514,031	456,762	13.90
Sampath Bank PLC	A	2/28/24	1,500,000	169,818	167,480	13.90
Seylan Bank PLC	BBB+	4/18/24	2,000,000	220,711	191,837	15.00
People's Leasing & Finance PLC	A+	8/5/24	5,258,875	465,098	346,404	8.00
Siyapatha Finance PLC	BBB+	8/8/24	2,760,000	290,079	235,271	13.33
Hayleys PLC	A+	8/26/24	500,000	52,255	41,688	13.00
LOLC Holdings PLC	A	9/27/24	2,268,702	253,291	99,605	15.00
Nations Trust Bank PLC	BBB+	12/23/24	1,000,000	100,276	76,524	12.80
HNB Finance Limited	BBB+	12/30/24	6,000,000	600,449	460,062	13.20
First Capital Treasuries PLC	A-	1/30/25	1,500,000	156,823	112,150	12.75
DFCC Bank PLC	A-	3/29/25	3,000,000	329,208	252,238	13.00
Seylan Bank PLC	BBB+	3/29/25	2,000,000	206,584	152,995	13.20
DFCC Bank PLC	A+	6/12/25	3,270,000	346,447	241,636	11.00
National Development Bank PLC	BBB+	9/25/25	5,000,000	512,225	329,485	9.50
DFCC Bank PLC	A-	10/23/25	3,000,000	304,940	193,232	9.00

LIFE INSURANCE FUND NOTES TO THE STATEMENT OF FINANCIAL POSITION

As at 31 December Issuer	Credit Rating	Maturity date	2022		Market value Rs. '000	Interest %
			No. of debentures	Carrying value Rs. '000		
Peoples Bank	AA	3/29/26	5,000,000	551,841	399,491	13.50
Singer Finance (Lanka) PLC	BBB	6/25/26	402,700	45,890	41,861	26.49
Siyapatha Finance PLC	BBB+	9/1/26	5,000,000	515,274	295,510	9.46
Hatton National Bank PLC	A	9/23/26	864,100	89,302	57,498	12.80
Nations Trust Bank PLC	BBB+	12/23/26	3,000,000	300,888	185,182	12.90
Peoples Bank	A	11/8/27	4,370,000	444,534	261,757	12.25
Seylan Bank PLC	BBB+	3/29/28	3,000,000	310,127	188,961	13.50
Sri Lanka Telecom PLC	AA-	4/19/28	2,000,000	205,056	123,604	12.75
Commercial Bank Of Ceylon PLC	A	7/23/28	5,000,000	527,593	307,664	12.50
Commercial Bank Of Ceylon PLC	A	12/12/29	5,000,000	507,007	507,418	27.00
Peoples Bank	A	7/27/30	5,000,000	521,480	251,500	10.25
				9,989,907	7,357,749	

1.3 Available for Sale Financial Assets (AFS)

As at 31 December	2023 Rs. '000	2022 Rs. '000
Fair value		
Treasury bonds	14,805,391	7,625,316
Total AFS financial investments	14,805,391	7,625,316

1.4 Financial Assets at Fair Value Through Profit or Loss (FVTPL)

As at 31 December	Note	2023 Rs. '000	2022 Rs. '000
Fair value			
Quoted equities	30.6 (a)	3,942,092	2,960,435
Treasury bills		79,806	-
Treasury bonds		84,705	-
Unit trusts		2,304,009	-
		6,410,612	2,960,435
Investments in unit linked funds			
Quoted equities	30.6 (b)	407,186	371,242
Reverse repurchase agreements		39,268	158,369
Treasury bills		4,793	-
Treasury bonds		190,367	103,919
Unit trust		71	-
Debentures		65,392	104,574
		707,077	738,104
		7,117,689	3,698,539

2 RECEIVABLES AND OTHER ASSETS

As at 31 December		2023	2022
	Note	Rs. '000	Rs. '000
Financial assets			
Agent loans	34.2	6,302	18,779
Refundable deposits		45,806	45,866
Other receivables		7,687	4,816
		59,795	69,461
Non financial assets			
Taxes recoverable	2.1	257,375	248,830
Prepayments		69,884	32,716
Inventories		13,959	14,820
Advance payments		147,703	19,891
Other receivables		-	4,138
		488,921	320,395
Total receivable and other assets		548,716	389,856

2.1 Taxes Recoverable

As at 31 December	2023	2022
	Rs. '000	Rs. '000
ACT recoverable	92,296	92,296
WHT receivable	165,079	156,534
	257,375	248,830

3 CASH IN HAND AND AT BANK

As at 31 December	2023	2022
	Rs. '000	Rs. '000
Cash at bank	826,526	939,360
Cash at bank - Unit Linked	357	49
Cash in hand	3,671	3,725
Total	830,554	943,134

4 REVALUATION RESERVE

As at 31 December	2023	2022
	Rs. '000	Rs. '000
Balance as at 1 January	1,792,119	1,796,366
Revaluation surplus during the year	299,362	-
Adjustment for deferred tax	-	-
Transfer to retained earnings	(4,246)	(4,247)
Balance as at 31 December	2,087,235	1,792,119

5 OTHER RESERVES

As at 31 December	2023	2022
	Rs. '000	Rs. '000
Reserve on Cornhill merger	16,752	16,752
Reserve on retirement benefit obligation	(34,407)	(24,314)
Total other reserves	(17,655)	(7,562)

6 RESERVE ON MERGER WITH CORNHILL (PRIVATE) LIMITED

The unrealised gain reflects the net result of the merger of the Company and Cornhill (Private) Limited. The investment in Cornhill (Private) Limited was absorbed by merging all assets and liabilities into the life policyholders.

7 OTHER LIABILITIES

As at 31 December	2023	2022
	Rs. '000	Rs. '000
Financial liabilities		
Agency commission payable	480,796	470,206
Premiums in suspense	1,267,478	1,119,441
Other liabilities	3,332,680	2,823,754
	5,080,954	4,413,401
Non financial liabilities		
Government levies	45,576	26,895
Other staff related provisions	306,908	360,000
Premium received in advance	832	1,730
Other liabilities	974,663	686,923
	1,327,979	1,075,548
Total other liabilities	6,408,933	5,488,949

UNDERSTANDING OUR FINANCIALS

Statement of Income

Gross Written Premium (GWP)

The main source of income consisting premiums paid by customers for the risk/s which they transfer to the Company or the money charged for a certain amount of insurance coverage is called the Gross Written Premium (GWP). It's comparable with the 'turnover' of a trading or manufacturing organisation.

Premium Ceded to Reinsurers

The portion of risk that a primary insurer passes to a reinsurer. This allows the Company to reduce its risk exposure and the accepting Company receives a premium for taking on the risk.

Net Written Premium

Refers to the portion of premium which is applicable for the financial year and earned by the insurer by providing insurance against various risks during the year.

Net Investment Income

Refers to interest income and dividend income received, from investments maintained by the Company after deducting the costs of the related investments such as bank charges, custodian fees, brokerage fee, etc.

Net Realised Gains

Net realised gains / losses resulting from selling of financial investments at a price higher or lower than the book value.

Net Fair Value Gains

Net fair value gains / losses incurred by the Company due to change in the market value of investments which are sensitive to market value change (e.g: Quoted equity).

Net Benefits and Claims Paid

Refers to total amount of claims and claims related expenses incurred during the year, where appropriate, adjusted by claims outstanding provisions at the beginning and end of the accounting period (e.g. surrenders, policy maturities, annuities and interim payments). This also includes the balance transferred to the life fund.

Underwriting and Net Acquisition Costs

Net acquisition expenses consists of the following;

Commission / Franchise Fees

Policies are sold by intermediaries, the fee paid to an agent or broker as a percentage of the policy premium is considered as commission. The percentage varies depending on coverage and the duration of the policy.

Reinsurance Commission

The commission paid by the reinsurer to the ceding Company (primary insurer) on reinsurance agreements as compensation to place the business with the reinsurer and to cover the ceding Company's acquisition expenses.

Other Operating and Administrative and Selling Expenses

Refers to staff, administration, sales and marketing costs incurred by the Company.

Share of Results of Equity Accounted Investee, Net of Tax

Refers to the share of profit from Fairfirst Insurance Limited attributable to the Company.

Statement of Financial Position

Industry specific items are selected and explained below;

Investment in Equity Accounted Investee

Refers to carrying value of 22% stake in Fairfirst Insurance Limited.

Financial Investments

Invested money received from policyholders to pay benefits and increase profitability of the Company with the expectation of capital appreciation, dividends (profit), interest earnings, or some combination of these returns. Income earned from policyholders money is accumulated to Life fund.

Loans to Life Policyholders

Life policyholders can obtain loans from the Company up to a certain percentage of the surrender value of the policy. Loan granted under these criteria are presented here.

Reinsurance Receivables

Includes amounts due from the Company's reinsurers on current claims and estimates of amounts that will be due on future claims.

Premium Receivables

Consist of premium related balances due from policyholders.

Insurance Contract Liabilities – Life

Due to the longer duration of the policy period, insurance companies are required to maintain a separate fund to meet future policyholders obligations. This is known as the 'Insurance contract liabilities'. The size of the fund that needs to be maintained is determined by the actuarial valuation annually. This process estimates the excess of the assets over the policyholder's liabilities of the fund after distribution of dividends to the policyholders as at the year end. The excess is generally known as Life Surplus and is transferred as shareholders' funds in the financial statements.

Insurance Contract Liabilities - Unit Linked

Same meaning as above, however it related to the unit linked operation.

Reinsurance Payables

Represent payables to reinsurers for risk portion undertaken by them.

DISTRIBUTION NETWORK

	Branch	Address	Contact Number/s
1	Akuressa	No. 38 & 6A, D.C. Wanigasekara Mawatha, Akuressa	Tel: 412283393 / 412283493
2	Aluthgama	No. 51 1/1, Galle Road, Kalua Modara, Aluthgama	Tel: 342291689 / 342291690
3	Ambalangoda	No. 20, New Road, Ambalangoda	Tel: 912258862 / 912258882
4	Ambalanthota	No. 153 & 153 1/1, Tangalle Road, Thawaluvila, Ambalantota	Tel: 472223370 / 472225027
5	Ampara	No. 60 & 60/1, 'Indrawansha Building', D.S.Senanayaka Street, Ampara	Tel: 632224668 / 632224401
6	Anuradhapura I	No. 272, Main Street, Anuradhapura	Tel: 252224677 / 252234984
7	Anuradhapura II	No. 272, Main Street, Anuradhapura	Tel: 252237777 / 252235547
8	Avissawella	No. 37A, Kudagama Road, Awissawella	Tel: 362233575 / 362233554
9	Baddegama	No. 164, Galle Road, Kumme, Baddegama	Tel: 912292783 / 913092772
10	Badulla	No. 18A, Dharmadhutha Road, Badulla	Tel: 552229536 / 552224373
11	Bakamuna	No. 542, Bakamuna	Tel: 662256100 / 662256644
12	Balangoda	No. 16, Jayanthi Mawatha, Thumbagoda, Balangoda	Tel: 452289199 / 453603111
13	Bandarawela	No. 5, Haputale Road, Bandarawela	Tel: 572223239 / 572223475
14	Batticaloa	No.217, Trincomalee Road, Batticaloa	Tel: 652224574 / 652228750
15	Borella	No. 80A, Ward Place, Colombo 07	Tel: 112680977 / 112680974
16	Chilaw	No. 87, Puttalam Road, Chilaw	Tel: 322222104 / 322222112
17	City office	No.20,Ground Floor,St. Michaels Road, Colombo 03	Tel: 117868866 / 117868858
18	Dambulla	No. 27/01, Rathna Hardware, Kurunegala Road, Dambulla	Tel: 662284628 / 663132546
19	Dehiwala	No. 50/1/1, 1st Floor, Dehiwala Road, Borlasgamuwa	Tel: 112516592 / 112516881
20	Embilipitiya	No. 162, New Town Road, Embilipitiya	Tel: 472230463 / 472261946
21	Galle	No. 147, 1St Floor, Colombo Road, Kaluwella, Galle	Tel: 912243948 / 912231107
22	Gampaha	No. 184, 2nd Floor,Colombo Road, Gampaha	Tel: 332226441 / 332235130
23	Gampola	No. 25, Gangasiri Road, Gampola	Tel: 812077174
24	Giriulla	No. 86A, Negombo Road, Giriulla	Tel: 372288586 / 372248511
25	Hingurakgoda	No. 02, Airport Road, Higurakgoda	Tel: 272246581 / 272245299
26	Homagama City	No. 56/A. Katuwana Road, Homagama	Tel: 112892802 / 112892803
27	Horana	No. 198, Rathnapura Road, Horana	Tel: 342265217 / 343144412
28	Ja-Ela	No. 71A2/1, Negombo Road, Ja-Ela	Tel: 112243633 / 112241512
29	Jaffna	No. 218 3/1, Stanley Road, Jaffna	Tel: 212223753 / 212223762
30	Kadawatha	No. 143/K, 2nd Floor, Kandy Road, Kadawatha	Tel: 112927252 / 113071596
31	Kalmunai	No. 212, Batticaloa Road, Kalmunai	Tel: 672222633 / 672050049
32	Kalutara	No. 338/1/2, Main Street, Kalutara	Tel: 342222104 / 342222114
33	Kamburupitiya	No. 74, 1st Floor, Matara Road, Pelawatte, Kamburupitiya	Tel: 412294580 / 412294581
34	Kandy	No. 300, Katugastota Road, Kandy	Tel: 812227443 / 3812232731
35	Katugastota	No. 185/4, Galagedara Road, Katugastota	Tel: 812221304 / 812221305
36	Kegalle	No. 134, Kalugalla Mawatha, Kegalle	Tel: 352230497 / 352221028
37	Kilinochchi	No. 83 & 85, Kandy Road, Kilinochchi	Tel: 212280118 / 212280117
38	Kiribathgoda	No. 97, Kandy Road, Kiribathgoda	Tel: 112916197 / 112916198
39	Kirulapone(Wellawatte)	No. 57-2/1, High Level Road, Kirulapona, Colombo 06	Tel: 112513362 / 112513363
40	Kottawa	No. 685A, 2nd Floor,Old Kottawa Road, Kottawa	Tel: 112178008 / 113158154
41	Kuliyapitiya	No. 93, Madampe Road, Kuliyapitiya	Tel: 372281904 / 372282904
42	Kurunegala I	No. 6, Rajapihilla Road, Kurunegala	Tel: 372224252 / 372223650 / 372230435 / 372221834 / 372223230 / 372228513
43	Kurunegala II	No. 6, Rajapihilla Road, Kurunegala	Tel: 372221834

DISTRIBUTION NETWORK

	Branch	Address	Contact Number/s
44	Kurunegala Metro	No. 6, Rajapihilla Road, Kurunegala	Tel: 372223230 / 372230465
45	Maharagama	No. 181, 2nd Floor, High Level Road, Maharagama	Tel: 112089082 / 112842315
46	Mahiyanganaya	No. 102/1A, Padiyathalawa Road, Mahiyangana	Tel: 552258255 / 552258777
47	Mahawa/Maho	No. 272, Moragollagama Road, Mahawa	Tel: 372275264
48	Mannar	No. 191, Thalaimannar Road, Sinna Kadai, Mannar	Tel: 232223257 / 232251882
49	Matale	No. 553/F, Trincomalee Street, Matale	Tel: 662231536 / 662222929
50	Matara Zone 01	No. 58 1/2, 3rd Floor, Esplanade Road, Matara	Tel: 412226644 / 412232740
51	Matara Zone 02	No. 58 1/2, 2nd Floor, Esplanade Road, Matara	Tel: 412226805 / 412226865
52	Mathugama	No. 94/2, Agalawatta Road, Mathugama	Tel: 342248017 / 342241441
53	Melsiripura	No. 105/18, Siripura Estate, 15 Mile Post, Melsiripura	Tel: 373120020 / 372051123
54	Moneragala	No. 112, Wellawaya Road, Monaragala	Tel: 552276290 / 552276379
55	Moratuwa	No. 495 B, Galle Road, Rawathawatta, Moratuwa	Tel: 112645802 / 112641666
56	Mullaitive	First Floor, P.W.D. Road, Mullathive Town, Mullathivu	Tel: 212290893 / 212290894
57	Negombo I	No. 147, St.Joseph's Street, Negombo	Tel: 312224264 / 312238443
58	Negombo II	No. 147, St.Joseph's Street, Negombo	Tel: 312224264 / 312238443
59	Negombo Metro	No. 147, St.Joseph's Street, Negombo	Tel: 312224264 / 313717890
60	Nelliady	Jaffna Nelliady Road, Navalar Madam, Nelliady	Tel: 212260344 / 212261970
61	Nikaweratiya	No. 65, Puttlam Road, Nikaweratiya	Tel: 372260567 / 372260334
62	Nittabuwa	No. 55, Kandy Road, Nittambuwa	Tel: 332293924 / 332051987
63	Nugegoda	No. 376, High Level Rd, Gangodawila, Nugegoda	Tel: 112815511 / 112815512
64	Nuwara Eliya	No. 36, Park Road, Nuwaraeliya	Tel: 522223341 / 522235499
65	Padaviya	No. 2, New Town, Padaviya	Tel: 252253018 / 252253277
66	Panadura	No.587 & 585, Galle Road, Panadura	Tel: 382244830 / 382244790
67	Pettah	No. 73, 74, Colombo Gold Centre, Colombo 11	Tel: 112432329 / 112432704
68	Piliyandala	No. 24, Vidyala Mawatha, Piliyandala	Tel: 112619550 / 12609105
69	Polonnaruwa	No. 13, 1st Floor, Hospital Junction, Polonnaruwa	Tel: 272226611 / 272226612
70	Puttalam	No. 97/1, 2nd Floor, Cargills Food Cotiy Building, Puttalam	Tel: 322265980 / 322267475
71	Rajagiriya	Westin Towers, No.2, Lake Drive, Colombo 08	Tel: 112689514 / 112689519
72	Rathnapura	No. 567 1/1 (New No: 23/2/1), Senavirathna Building, Colombo Road, Rathnapura	Tel: 452226740 / 452233035
73	Ruwanwella	No. 185/1/2, Avissawella Road, Ruwanwella	Tel: 362266631 / 362268747
74	Tangalle	No. 61, Beach Road, Tangalle	Tel: 472241841 / 472241727
75	Thalawathugoda	No. 705, Boralla Road, Thalawathugoda	Tel: 112775495 / 112775496
76	Thambuttegama	No. 148, Thammannagama, Thambuththegama	Tel: 252276060 / 252275185
77	Tissamaharama	No. 68, Main Street, Tissamaharama	Tel: 472237711 / 472238027
78	Trincomalee	No. 66A & 68, Main Street, Trincomalee	Tel: 262227530 / 262227536
79	Valachchenai	Main Streeet, Valachchanai	Tel: 652258555 / 652258556
80	Vavuniya	No. 188,190,192,& 190/1, Kandy Road, Vavuniya	Tel: 242227113 / 242226003
81	Warakapola	Kosgahakumbura, Warakapola	Tel: 352267441 / 352267069
82	Wariyapola	No. 203/A, Kurunegala Road, Wariyapola	Tel: 372268208 / 372268206
83	Wellawaya	No. 2B, Kumaradasa Mawatha, Wellawaya	Tel: 552274219 / 552274380
84	Wennapuwa	No. 275, Colombo Road, Wennappuwa	Tel: 312255844 / 312253892
85	Ward Place	No. 80A, Ward Place, Colombo 07	Tel: 112680979 / 112680982

CORPORATE INFORMATION

Name of Company

Union Assurance PLC

Legal Form

A public limited liability company incorporated in Sri Lanka on 8 January 1987 and registered under the Companies Act No. 07 of 2007 and quoted on the Colombo Stock Exchange since 1988.

Company Registration Number

PQ 12

Tax Payer Identification Number (TIN)

134001372

Directors

K. N. J. Balendra - Chairperson
S. Rajendra
D. H. Fernando
S. A. Appleyard
D. P. Gamlath
P. T. Wanigasekara - Appointed w.e.f 01 April 2023
W. M. De F. Arakularatne - Resigned w.e.f 06 March 2023

Board Human Resource and Compensation Committee

The Board Human Resource and Compensation Committee (BHRCC) of John Keells Holdings PLC (the Parent) represents the BHRCC of the Company.

Nominations Committee

The Nominations Committee (NC) of John Keells Holdings PLC (the Parent) represents the NC of the Company.

Related Party Transaction Review Committee

The Related Party Transaction Review Committee (RPTRC) of John Keells Holdings PLC (the Parent) represents the RPTRC of the Company.

Project Risk Assessment Committee

The Project Risk Assessment Committee (PRAC) of John Keells Holdings PLC (the Parent) represents the PRAC of the Company.

Board Audit and Compliance Committee

P. T. Wanigasekara - Chairperson - Appointed w.e.f 01 April 2023
D. H. Fernando
S. Rajendra

Investment Committee

J. G. A. Cooray - Chairperson
P. T. Wanigasekara - Appointed w.e.f 01 April 2023
Jude Gomes - Resigned w.e.f 31 December 2023
Senath Jayatilake
Asha Perera
Shubham Jain
Angelo Keil

SLFRS-17 Steering Committee

S. A. Appleyard - Chairperson
S. Rajendra
Sherin Cader

Secretaries and Registrars

Keells Consultants (Private) Limited
117, Sir Chittampalam A. Gardiner Mawatha,
Colombo 2.

Auditors

Messrs. KPMG (Chartered Accountants)
PO Box 186,
32A, Sir Mohamed Macan Markar Mawatha,
Colombo 3.

Appointed Actuaries

Willis Towers Watson India Private Limited
Unitech Business Park, 2nd Floor
Tower-B, South City 1, Sector 41
Gurgaon-122002
India.

Lawyers

The Legal Department
John Keells Holdings PLC
117, Sir Chittampalam A Gardiner Mawatha,
Colombo 2.

Bankers

Bank of Ceylon
Commercial Bank of Ceylon PLC
Deutsche Bank AG
DFCC Bank PLC
Hatton National Bank PLC
Housing Development Finance Corporation
National Development Bank PLC
National Savings Bank
Nations Trust Bank PLC
People's Bank
Sampath Bank PLC
Seylan Bank PLC
Standard Chartered Bank
Union Bank Colombo PLC
Pan Asia Banking Corporation PLC

Reinsurance Panel

RGA
Hannover Re
Munich Re
Partner Re

Registered Office of the Company

20, St Michael's Road,
Colombo 3.

Investor Relations

All investor queries should be directed to;
Investor relations hotline 011-2990314
e-mail: investorrelations@unionassurance.com

NOTES

NOTICE OF MEETING

Notice is hereby given that the 37th Annual General Meeting of Union Assurance PLC will be held as a virtual meeting on Thursday, 28th March 2024 at 3.30 p.m.

The business to be brought before the Meeting will be as follows:

1. To read the Notice convening the Meeting.
2. To receive and consider the annual report and financial statements of the Company for the year ended 31st December 2023 with the Report of the Auditors thereon.
3. To re-elect as Director, Mr. S Rajendra who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. S Rajendra is contained in the Board of Directors section of the Annual Report.
4. To re-elect as Director, Mr. P T Wanigasekara who retires in terms of Article 90 of the Articles of Association of the Company. A brief profile of Mr. P T Wanigasekara is contained in the Board of Directors section of the Annual Report.
5. To re-appoint the Auditors, Messrs. KMPG, Chartered Accountants and to authorize the Directors to determine their remuneration.
6. To consider any other business of which due notice has been given in terms of the relevant laws and regulations.

The Annual Report and Financial Statements of Union Assurance PLC is available on the

- 1) Corporate Website - @ <https://unionassurance.com/financial-reports/> and
- 2) The Colombo Stock Exchange - @ <https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=UAL.N0000>

Members may also access the Annual Report and Financial Statements on their electronic devices by scanning the following QR code.



By Order of the Board
UNION ASSURANCE PLC

KEELLS CONSULTANTS (PRIVATE) LIMITED
Secretaries

29th February 2024

For clarifications on how to download and/or access the Annual Report and Financial Statements, please contact Sachinda Karunarathna on +94 074 285 8781 during normal office hours (8.30 a.m. to 5.00 p.m.) or email sachindak@unionassurance.com

Should Members wish to obtain a hard copy of the Annual Report, they may complete and send the Form of Request available on the corporate web site to the registered office of the Company. A printed copy of the Annual Report will be forwarded by the Company within eight (8) market days, subject to the prevailing circumstances at the time, from the date of receipt of the request.

Notes:

- a. A Member unable to attend is entitled to appoint a Proxy to attend and vote in his/her place.
- b. A Proxy need not be a Member of the Company.
- c. A Member wishing to vote by Proxy at the Meeting may use the Form of Proxy enclosed.
- d. Members are encouraged to vote by proxy through the appointment of a member of the Board of Directors to vote on their behalf and to include their voting preferences on the resolutions to be taken up at the Meeting in the Form of Proxy.
- e. In order to be valid, the completed Form of Proxy must be lodged at the registered office of the Company or forwarded to the email address: keellsconsultants@keells.com or Fax No.+94 11 2439037 not less than 48 hours before the Meeting.
- f. A vote can be taken on a show of hands or by a poll. If a poll is demanded, each share is entitled to one vote. Votes can be cast in person, by proxy or corporate representatives. In the event an individual Member and his/her Proxy holder are both present at the Meeting, only the Member's vote is counted. If the Proxy holder's appointor has indicated the manner of voting, only the appointor's indication of the manner to vote will be used.

FORM OF PROXY

I/We..... of.....
.....being a member/s of Union Assurance PLC hereby appoint
.....of..... or failing him/her

Mr. Krishan Niraj Jayasekara Balendra	or failing him
Mr. Suresh Rajendra	or failing him
Mr. Dumith Hemantha Fernando	or failing him
Mr. Stephen Anthony Appleyard	or failing him
Mr. Daminda Prabath Gamlath	or failing him
Mr. Pasan Thaminda Wanigasekara	

as my/our proxy to represent me/us and vote on my/our behalf at the 37th Annual General Meeting of the Company to be held on 28th March 2024 at 3.30 p.m. and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

I/We, the undersigned, hereby direct my/our proxy to vote for me/us and on my/our behalf on the specified Resolution as indicated by the letter "X" in the appropriate cage;

	For	Against	Abstain
1. To re-elect as Director, Mr. S Rajendra who retires in terms of Article 84 of the Articles of Association of the Company	☐	☐	☐
2. To re-elect as Director, Mr. P T Wanigasekara who retires in terms of Article 90 of the Articles of Association of the Company	☐	☐	☐
3. To re-appoint the Auditors, Messrs. KPMG, Chartered Accountants and to determine their remuneration	☐	☐	☐

Signed on this day of Two Thousand and Twenty-four.

.....
Signature /s of Shareholders/s

Note:

Instructions as to completion of the form of proxy are noted on the reverse.

FORM OF PROXY

INSTRUCTIONS ASTO COMPLETION OF PROXY

- 1. Please perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.
- 2. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 20, St. Michael’s Road, Colombo 3 or forwarded to the email address: keellsconsultants@keells.com or Fax No.+ 94 11 2439037, no later than 48 hours before the time appointed for the convening of the Meeting.
- 3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
- 4. If the appointer is a company or corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the company or corporate in accordance with its Articles of Association or Constitution.
- 5. If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

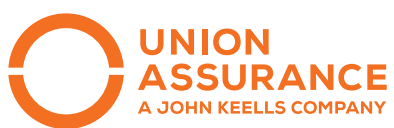
Please fill in the following details:

Name	:	
Address	:	
		
		
Jointly with	:	
National Identity Card No:		
Share Folio No.	:	

Designed & produced by

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www.unionassurance.com